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**CUSTOMER ORIENTATION AND LOYALTY IN MOBILE  
TELECOMMUNICATIONS**

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## IZJAVA O AVTORSTVU

Spodaj podpisana mag. Jasmina Dlačič, študentka Ekonomske fakultete Univerze v Ljubljani, izjavljam, da sem avtorica doktorske disertacije z naslovom Customer orientation and loyalty in mobile telecommunications, pripravljene v sodelovanju s svetovalko prof.dr. Vesno Žabkar.

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## **POVZETEK**

Aktivnosti organizacij v sodobnem okolju temeljijo na ustvarjanju vrednosti za porabnike. V tem procesu je pomembna paradigma vrednost ob uporabi. Po tej paradigmi se vrednost ustvarja za porabnika in v sodelovanju z njim. Temelji torej na medsebojnih povezavah in skupnem sodelovanju. Ena od opornih točk v procesu ustvarjanja vrednosti ob uporabi je implementacija naravnosti na porabnike v organizacijah. Organizacija je naravnana na porabnike takrat, ko je njena kultura usmerjena k oz. naravnana na porabnike. Pri tem raziskovanju je poudarek na porabnikovem dojetanju naravnosti na porabnike v določeni organizaciji. Naravnost na porabnike s porabnikove perspektive oziroma zaznana naravnost na porabnike se opazuje kot dojetanje organizacijske kulture, ki ima interese porabnikov na prvem mestu z namenom ustvarjanja vrednosti zanje.

Različni elementi lahko označujejo prisotnost zaznane naravnosti na porabnike v organizaciji. Ti elementi oblikujejo tri medsebojno povezane skupine vplivov. Lahko jih opredelimo kot izdelke/storitve, ki ustvarjajo zadovoljstvo, prijazni zaposleni, in odnose ki gradijo vrednost. Obenem je zaznana naravnost na porabnike konceptualizirana kot formativen konstrukt. Tri omenjene skupine dejavnikov torej skupaj ustvarjajo zaznano naravnost na porabnike.

Organizacija, ki je zaznavana kot naravnana na porabnike, vključuje porabnike v svoje načrte in aktivnosti. Torej kontinuirano ustvarja vrednost za porabnike. Omenjeno predstavlja pogoj za ustvarjanje dolgoročnih odnosov, posledično pa se ustvarja porabnikova zvestoba. V disertaciji raziskujem zvestobo porabnikov kot tridimenzionalen konstrukt, ki zajema vedenjsko, čustveno in kognitivno zvestobo.

Povezave med zaznano naravnostjo na porabnike in zvestobo porabnikov raziskujem na primeru mobilnih telekomunikacij. Raziskava je narejena na Hrvaškem, v obdobju dveh mesecev, maja in julija 2010. Vzorec za analizo zajema 923 anketirancev. Glede na rezultate raziskave lahko povzamem, da je zaznana naravnost na porabnike možno konceptualizirati kot formativen konstrukt, konstrukt, ki ga ustvarjajo prej omenjeni elementi. Najbolj vplivna je povezava med odnosi ki gradijo vrednost in zaznane naravnosti na porabnike. Sledijo ji povezave z zaznavo izdelkov/storitev, ki ustvarjajo zadovoljstvo ter zaznavo prijaznih zaposlenih.

Z namenom testiranja merske lestvice, ki meri zaznano naravnost na porabnike, uporabljam nomološko mrežo. Zaznana naravnost na porabnike je povezana z zvestobo porabnikov, razlike pa se kažejo v različnih dimenzijah zvestobe. Najbolj močna je povezava med vedenjsko zvestobo in zaznano naravnostjo na porabnike. Sledijo ji povezave z čustveno zvestobo in kognitivno zvestobo.

Ključne besede: zaznana naravnost na porabnike, zvestoba porabnikov, mobilne telekomunikacije

## SUMMARY

Creating value for customers drives actions in organizations worldwide. This is represented by the value-in-use paradigm. Hence, relationships and mutual collaboration facilitate the creation of value for customers and with customers. One of the starting points of the value-in-use process is implementing customer orientation in an organization. When an organization implements customer orientation, it means that the organization's culture is focused on customers. In this research, emphasis is put on the customer perspective in an organization's customer orientation. Therefore, customer orientation from the customer perspective, that is, perceived customer orientation (PCO), is observed as a perception of corporate culture that puts customer interests first in order to create value for customers.

Various elements indicate the presence of perceived customer orientation in an organization. These elements form three interrelated groups of influences. They are identified as product/services that satisfy customers, employees that are perceived as friendly and value adding relationships. Furthermore, perceived customer orientation is conceptualized as a formative construct. Hence, these three groups indicate the presence of perceived customer orientation.

An organization that is perceived as customer oriented, acknowledges customers in their plans and activities. Hence, it continuously provides value for customers. This is a prerequisite for establishing long-term relationships. Consequently, based on these relationships customer loyalty is created. In this research, customer loyalty is explored as consisting of three diverse dimensions: behavioural, attitudinal and cognitive customer loyalty.

These relationships between perceived customer orientation and customer loyalty are explored in the mobile telecommunications sector. The research was conducted in Croatia from May to July 2010. The final sample consisted of 923 questionnaires. Based on research results, it can be concluded that perceived customer orientation (PCO) can be conceptualized as a formative construct. It consists of afore mentioned elements. The most influential relationship is the one between value adding relationships and perceived customer orientation, followed by the relationship between the perception of products/services that satisfy customers and perceived customer orientation. The least influential relationship is the one between the perception of friendly employees and perceived customer orientation.

To test the perceived customer orientation scale, a nomological network is applied. It is noticed that perceived customer orientation is related to customer loyalty. But, differences exist in relationships with diverse customer loyalty dimensions. The strongest relationship is found to exist between the behavioural loyalty dimension and perceived customer orientation. This is followed by the relationship between perceived customer orientation and the attitudinal loyalty dimension. The weakest relationship is between perceived customer orientation and cognitive loyalty.

Key words: perceived customer orientation, customer loyalty, mobile telecommunications

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# INTRODUCTION

## 1 Dissertation topic area and issues of the dissertation

The conceptual and substantive domain of the dissertation is in services and relationship marketing. The service industry encompasses more than 60% of the world's gross domestic product (CIA World fact book). Vargo (2009) goes even further in service dominant logic by asserting that goods are perceived as mechanisms for distributing services. In **services**, it is all about making, keeping and enabling promises (Bitner, 1995). Therefore, an organization must have excellent services that will generate value to customers. Establishing relationships with customers will facilitate constant value provision. Nowadays, it is all about including customers in value creation and in the value delivery process. As a consequence, customers who develop relationships with an organization expect to receive an adequate level of satisfaction and value. Therefore, services are an appropriate environment for researching relations between an organization and its customers (Bitner, 1995 in Čater, 2006), because relationships and relationship marketing have roots in service marketing and business-to-business marketing (Grönroos, 2000 in Vargo, 2009).

In the second half of the twentieth century, the emphasis of research in services and relationship marketing shifted to customer satisfaction. More specific, to be successful, an organization has to know its customers and want to satisfy their needs and desires. It follows that an organization should understand the market, as well as the needs and wants of all potential partners. This enables it to develop and offer tailored products/services. But an organization has to do this in a way that generates profit. This is the essence of the **marketing concept** (Houston, 1986). In implementing a marketing concept, an organization must not disregard its capabilities and resources. Also, it has to take other market players into account and coordinate all activities with customer focus (Shapiro, 1988). This is the way a market-oriented organization acts.

Organizations that are implementing a marketing concept (Appiah-Adu, 1998; Caruana, Pitt & Ewing, 2003; Deng & Dart, 1994; Kohli & Jaworski, 1990; Lafferty & Hult, 2001) are practicing **market orientation**. Hence, they put customers in the centre of the organization's actions. Market orientation became a widely used concept during the 1990s through the work of Narver and Slater (1990) and Kohli and Jaworski (1990). Narver and Slater's (1990) research on market orientation is often referred to as a behavioural approach that distinguishes between customer orientation, competitor orientation and interfunctional coordination. On the other hand, Kohli and Jaworski (1990) explore market orientation from the perspective of intelligence generation, intelligence dissemination and responsiveness. Furthermore, Cadogan and Diamantopoulos (1995) assert that both views should be present simultaneously in the organization and that they supplement each other.

At the same time, other authors explored **customer orientation**. Correspondingly, certain authors (Narver & Salter, 1990) saw customer orientation as an equivalently important part of

market orientation, together with competitor orientation and interfunctional coordination. To others (Gauzente, 1999; Hajjat, 2002; Siguaw & Diamantopoulos, 1995), customer orientation was the central part of market orientation. Additionally, some authors (Kohli & Jaworski, 1990; Webster, 1992; Shapiro, 1998) argued that, in essence, market and customer orientations are the same thing, while others explored customer orientation *per se* (Deshpande, Farley & Webster, 1993; Appiah-Adu & Singh, 1998; Olson, Slater & Hult, 2005).

Simply acknowledging that customers are an important element of any organization's success is not enough. An organization must also establish a relationship with customers in order to have long-term benefits. So, emphasis is shifted to establishing relationships, and the **relationship marketing** paradigm is extensively elaborated. This paradigm has its roots in the Nordic school of service and the IMP group (Grönroos, 1999). The core aspect is building long-term relationships with customers. In these relationships, promise and trust are highly evaluated (Grönroos, 1997a). But both parties must see a relationship as valuable (Danaher, Conroy & McColl-Kennedy, 2008). Relationships are also established and nurtured with suppliers and other stakeholders of an organization. In this way, an organization sets up its own network (Grbac & Lončarić, 2010) of relationships. Relationship marketing gained such popularity because customer retention results in higher profitability, argues Matilla (2001). Although its origin is in business-to-business markets, it is widely accepted also in end-consumer markets.

## 2 Research topic

The dissertation research topic is the relationship between customer orientation and customer loyalty in mobile telecommunications. This relationship between customer orientation and loyalty is somehow self-evident and, consequently, has been seldom empirically researched. The dissertation aims to deepen the understanding of existing knowledge by researching both customer orientation and customer loyalty as multi-dimensional constructs. A theoretical model will be tested on Croatian mobile telecommunication operators.

In organizations that are implementing **customer orientation**, the organization's culture is focused on customers (Deshpande, Farley & Webster, 1993). As a result, an organization's activities, as well as its strategic decisions, are guided by customer needs and desires. Until recently, customer orientation was largely researched from the managers' perspective (Deshpande, Farley & Webster, 1993; Egan & Shipley, 1995; Hajjat, 2002; Olson, Slater & Hult, 2005; Bartley, Gomibuchi & Mann, 2007). Therefore, managers defined what a customer-oriented organization was. When the customer perspective was taken into account, it focused primarily on evaluating salespersons behaviour and generalizing it to the organizational level (Saxe & Wietz, 1982; Daniel & Darby, 1997; Bejou, Ennew & Palmer, 1998; Hult & Nichols, 1999; Hennig-Thurau, 2004). From literature research it is evident that the customer perspective of the customer-oriented organization is missing, and so it will be

explored in this dissertation. Also, it is believed that this perspective will provide us with more profound information about the phenomenon under examination.

In the work of Deshpande, Farley and Webster (1993, p.27), customer orientation is characterized as a corporate culture that puts customer interests first, while not excluding the interests of other stakeholders, in order to achieve long-term profitable business. The customer is emphasized as the focal point of organizations' strategic planning and implementation (Chen, Yu, Yang & Chang, 2004; Nwankwo, 1995). Even so, a customer-oriented organization is approached through different perspectives. Some authors have explored customer orientation as a constituting part of market orientation (Narver & Slater, 1990; Deng & Dart, 1994; Webb, Webster & Kreppa, 2000; Narver, Slater & MacLachan, 2004; Sanzo, Santos, Álvarez & Vázquez, 2007). Others have researched the selling orientation-customer orientation dyad (Saxe & Wietz, 1982; Sigauw & Brown, 1994; Bejou, Ennew & Palmer, 1998; Thomas, Soutar & Ryan, 2001; Periat, Lemay & Chakrabarty, 2004). And some have researched customer orientation *per se* or related to different characteristics of organizations, mainly, business performance (Deshpande, Farley & Webster, 1993; Egan & Shipley, 1995; Appiah-Adu & Singh, 1998; Strong & Harris, 2004; Bartley, Gomibuchi and Mann, 2007).

In the core of every customer-oriented organization is the concept that an organization's actions are guided by customers' needs and desires. When an organization adapts products/services to customer needs and desires, it creates value for them (Narver & Slater, 1990; Wu & Lee, 2005). But besides expressed desires, it also has to be sensitive to its customers' latent desires. Innovation is an important component of a customer-oriented organization. Collecting information from the market and from customers, coupled with innovation abilities, creates the possibility for an organization to stay ahead of the competition (Deshpande, Farley & Webster, 1993). So, adapting products/services and innovation help an organization to provide more value for targeted (Narver, Jacobson & Slater, 1999) and profitable customers (Grönroos, 1997a; Leverin & Liljander, 2006). It is seen from the literature review that **customer orientation from the customer perspective** is observed as a perception of corporate culture that puts customer interests first to create value for customers.

In analysing customer orientation, it becomes apparent that it may consist of different sub-concepts. Also, authors research it as a one-dimensional (Brady & Cronin, 2001; Deshpande, Farley & Webster, 1993; Olson, Slater & Hult, 2005; Strong & Harris, 2004) or a multidimensional (Egan & Shipley, 1995; Hajjat, 2002; Hennig-Thurau, 2004; Bartley, Gomibuchi & Mann, 2007; Dean, 2007) concept. In our study, customer orientation is explored as a three-dimensional construct consisting of *products/services that satisfy customers, friendly employees* and *value adding relationships*.

One of the elements relevant for customers in deciding to continue doing business with an organization or not is the product/service that the organization provides. A customer oriented organization adapts its product/services to customer needs and desires. It also positions

customers in the centre of business. Therefore, customers and, consequently, their satisfaction with an organization's products/services are among the building blocks of customer orientation. Satisfaction with an organization's products/services has a vital role in the customer decision-process. This satisfaction is created through increased product/service quality and value, as well as through decreased price and time spent in obtaining a specific product/service (Anderson, Fornell & Lehmann, 1994; Wang & Lo, 2003; Zeithaml, 1988). As all these elements are evaluated against competitors, an organization must be creative in developing an offer that consequently satisfies customer needs (Olson, Slater & Hult, 2005). This establishes a climate that an organization is sensitive to customer satisfaction (Michales & Day, 1985; Deshpande, Farley & Webster, 1993; Dean, 2007). As a result, an organization creates **products/services that satisfy customers** – this is possible by adapting and developing products/services to meet customer needs and desires; consequently customer satisfaction is achieved.

Besides the product/services mentioned above, employees are also crucial in implementing customer orientation for services (Baker, 2002). Customer-oriented employees are usually more dedicated to satisfying customer needs (Hajjat, 2002). This type of behaviour, however, emerges from the employees' personal satisfaction with work. Satisfied employees also manifest their satisfaction in interaction with customers (Day, 1998; Lindgreen & Crawford, 1999; Siguaw & Brown, 1994). They are usually friendlier and try to help customers by offering products/services that suit customers' needs the best (Daniel & Darby, 1997; Thomas, Soutar & Ryan, 2001). So, customer-oriented employees augment the perception that an organization is indeed customer oriented. Therefore, **friendly employees** – employees that are friendly in helping customers and more dedicated in satisfying customer needs – are perceived as customer oriented.

With such employees, an organization can easily receive feedback about its products/services. This is possible because friendly employees can easily establish communication with customers. Front-line employees are in direct contact with customers (Day, 1999; Gray, Matear, Boshoff & Matheson, 1998) and, therefore, suitable for establishing relationships with customers. Regular contact with customers gives employees the opportunity to gather knowledge about customer satisfaction with products/services. Furthermore, as employees are in touch with customers and the market (Day, 1994; Shapiro, 1988) they represent valuable sources of ideas for new product/services. In this way, with the help of its employees, an organization can continuously provide value for customers. Hence, **value adding relationships** – collecting information about customer needs and desires in direct contact, providing immediate feedback about products/services, and demonstrating to customers that they care about them – help to augment an organization's customer-oriented perception.

In addition to customer orientation, the research framework is also concerned with **customer loyalty**. Customer loyalty includes customers' deeply held commitment to continue using products/services consistently in the future, despite influences having the potential to cause switching behaviour (Oliver, 1997 in Oliver, 1999, p.34). Commitment is an important

element in customer loyalty. It is represented as a desire to maintain a relationship (Moorman, Deshpande & Zaltman, 1992).

Customer loyalty is conceptualized in different ways. Some authors (Brink, 2004; Diller, 2000; Hill & Alexander, 2003; Meyer & Blümelhuber, 2000; Oliver, 1999) mostly consider customer loyalty through creating and preserving relationships, repeated buying, greater buying value, buying across an organization's product/service assortment, higher price tolerance, positive attitude towards an organization, referrals and immunity toward competitors' offers. Others observe customer loyalty solely on repeated buying intentions (Ngobo, 1999) or intentions to continue the relationship in the future (Duffy, 1998; Goodwin & Ball, 1999; Shigh & Sirdeshmukh, 2000). With regard to the literature review, it is accepted that **customer loyalty** is, as Oliver (1997 in Oliver, 1999, p.34) claims, - a customer's deeply held commitment to continue using products/services consistently in the future, despite influences having the potential to cause switching behaviour.

Past research concerning customer loyalty reveals that authors research customer loyalty from two standpoints. Some explore customer loyalty as a single concept (Andreassen & Lindestad, 1998; Bloemer, de Ruyter & Peeters, 1998; Fornell, 1992; Gustafsson, Johnson & Roos, 2005; Johnson, Garbarino & Svidas, 2006) and others as a concept consisting of different dimensions (DeWitt, Nuguyen & Marshall, 2008; Dick & Basu, 1994; Han, Kwortnik & Wang, 2008; Jones & Taylor, 2007; Oliver, 1999). In researching the different dimensions of customer loyalty, attitudinal and behavioural component are predominantly explored. But some researchers add a third dimension, indicated as cognitive loyalty (Bloemer, de Ruyter & Wetzels, 1999; Jones & Taylor, 2007), while others (Rundle-Thiele, 2005) include even a fourth and a fifth customer loyalty dimension in their research.

In our study, customer loyalty is explored as a three-dimensional construct consisting of attitudinal and behavioural loyalty (Dick & Basu, 1994; Li & Petrick, 2008; Raimondo, Miceli & Costabile, 2008), as well as cognitive loyalty (Bloemer, de Ruyter & Wetzels, 1999; Jones & Taylor, 2007; Rundle-Thiele, 2005).

Having a positive or negative attitude towards some phenomenon is tied with the future intention to do, or not to do, something. This future intention is, consequently, someday manifested as behaviour. When we observe loyal customers, we can notice their specific behaviour. They exclusively consider a certain organization's products/services (Zeithaml, Berry & Parasuraman, 1996) and buy diverse products/services from that organization (Sublaban & Aranha, 2009). In addition to this, they also express the intention to use the organization's products/services in the future (Aydin & Özer, 2005). We can say that they manifest behavioural loyalty. Thus, **behavioural loyalty** is manifested through specific customer buying habits and intention to use some product/service repeatedly in the future.

But behavioural loyalty, alone, is not enough. Sometimes customers can repeatedly buy some products/services even if they are not attached to them (Griffin, 1997). This kind of loyalty is

not good for an organization to have. Because customers do not feel committed to products/services, they buy them habitually. To overcome this obstacle, an organization will encourage attitudinal loyalty. This loyalty dimension emerges from customer commitment to a certain product/service (Garbarino & Johnson, 1999). Attitudinally loyal customers usually have a strong relationship with the product/service provider (Hennig-Thurau, Gwinner & Gremler, 2002). This establishes a positive attitude towards the organization and enables customer loyalty to have a sound foundation. Hence, **attitudinal loyalty** encompasses customer commitment to a certain product/services, which establishes a positive attitude towards an organization.

Changes in the marketplace, as well as competitors' actions, influence the buying behaviour of customers. Loyal customers evaluate this kind of information. Evaluation is made consciously by comparing rewards and benefits associated with the repatronage (Lee & Cunningham, 2001 in Jones & Taylor, 2007) and new information from the marketing environment. This evaluation is acknowledged as cognitive loyalty manifested through insensitivity to price due to loyalty. In this loyalty dimension, customers decide to stay loyal in spite of increasing prices or competitors' better prices (Dewitt, Nguyen & Marshal, 2008). Consequently, their relationship continuance with an organization is not influenced by price (Jones & Taylor, 2007). Therefore, **cognitive loyalty** is evident when customers evaluate costs and benefits from repatronage and decide to ignore differences in prices as a criterion for discontinuing doing business.

### **3 Research questions**

The main **research question** this dissertation will address is: How is perceived customer orientation related to customer loyalty? Although a literature review acknowledges that this relationship exists, it is often taken for granted and therefore not researched to any greater extent.

None of the existing scales adequately measure the customer perspective in customer orientation. From the literature review it follows that customer orientation from the customer point of view encompasses different dimensions, such as *products/services that satisfy customers*, *friendly employees* and *value adding relationships*. It is defined by these dimensions since a change in each of the dimensions/indicators affects the perceived customer orientation, but not the other way around. Furthermore, indicators are a set of distinct causes which are not interchangeable as each indicator captures a specific aspect of the construct's domain (Diamantopoulos, Riefler and Roth, 2008). Following the criteria for formative models (direction of causality between the construct and its indicators, the interchangeability of indicators, co-variation among the indicators, and a nomological net of the indicators; Jarvis, Mackenzie & Podsakoff, 2003), the perceived customer-orientation construct should be modelled as a formative construct. Hence, we posit:

H1a: The perception of products/services that satisfy customers influences perceived customer orientation.

H1b. The perception of friendly employees influences perceived customer orientation.

H1c. Value adding relationships influence perceived customer orientation.

An organization that is perceived as customer oriented, that is, one perceived to acknowledge customers as an important element in their plans, as well as activities, is creating customer loyalty. A customer-oriented organization provides value for customers. Consequently, customers continue doing business with the organization, and a long-term relationship is established. A long-term relationship with the organization is at the heart of customer loyalty, and loyal customers form a stable customer base. In this way, they enable an organization's to prosper. Loyalty effects, such as cross buying and increased share of wallet, contribute to an organization's performance. Moreover, through positive word of mouth, customers encourage friends and relatives to do business with a certain organization, thus helping to expand the organization's customer base. But it is assumed that perceived customer orientation is not equally related to different dimensions of customer loyalty. Therefore, by exploring these relationships, we will observe how they contribute to customer loyalty formation. Hence it is proposed:

H2a. Perceived customer orientation is positively related to attitudinal loyalty.

H2b. Perceived customer orientation is positively related to behavioural loyalty.

H2c. Perceived customer orientation is positively related to cognitive loyalty.

**The research purpose** is to empirically explore the relationship between customer orientation and loyalty. This is an important topic because improving customer orientation changes how customer relationships are managed. An organization that establishes long-term relationships with customers while providing them with value is increasing customer loyalty. Loyal customers stay longer with the organization and, therefore, have multiple positive influences on the organization's performance. This research will extend the body of knowledge concerning customer orientation and loyalty. It will explore the rarely studied relationship between customer orientation and loyalty. In addition, a customer perspective in observing customer orientation will be employed. This will enlarge the body of knowledge and contribute to the literature.

**The research goal** has emerged from the above specified research purpose. Thus, the research goal is to better understand the relationship between customer orientation and customer loyalty in mobile telecommunications. Other sub-goals include giving a theoretical background overview on customer orientation and customer loyalty, developing an instrument for measuring customer orientation from customer viewpoint (perceived customer orientation) and empirically testing a conceptual model in the substantive domain of the mobile telecommunications sector in Croatia.

#### **4 Assessment of the dissertation's contribution to the field of knowledge**

The dissertation will contribute to the field of knowledge in a theoretical, methodological (research) and managerial aspect. Theoretically, it will expand the body of knowledge in

customer orientation and customer loyalty in the substantive domain of the service industry. First, it will provide a critical overview of existing literature in the fields of both customer orientation and customer loyalty. Theoretical background with different approaches to both constructs will be analysed. Past research presents a basis for construct development. Results can present a contribution to the conceptual level of the service industry. This is possible because of the deductive reasoning in theory generation. The concepts of perceived customer orientation and loyalty can be applied at an empirical level to service management in different services.

Furthermore, based on literature review and interviews with experts, a new scale for measuring perceived customer orientation will be proposed. The new scale encompasses the customer perspective in evaluating an organization's customer orientation. Past research was mostly concentrated on evaluating salespersons' customer orientation and generalizing it to the organization level. It also focused largely on the manager's perception of a customer-oriented organization and how it should behave. We can conclude that this is a different approach and, therefore, presents a methodological contribution.

Methodological contributions are further seen in measuring customer orientation and customer loyalty as multidimensional constructs. Because customer orientation is prevalently researched as one-dimensional, the multidimensional approach provides additional understanding of the researched phenomenon. Furthermore, when customer loyalty is explored as a multidimensional construct, researchers mostly include only attitudinal and behavioural loyalty. This research, however, will approach customer loyalty as a construct consisting of three dimensions, and this is another methodological contribution.

A managerial contribution is evident in the synthesis of customer orientation and customer loyalty. In this way, they can be easily incorporated in service management of different services. By using customer orientation to stimulate loyalty, an organization experiences the consequences of loyalty. The effects of consequences are seen in the widening of the customer base and in the generation of positive business results. Furthermore, managerial contribution is also seen in the possibility of managing customer-orientation elements separately. An organization can explore and decide what element of customer orientation is the most important driver of perceived customer orientation and act accordingly. This can help to cut the organization's their costs and make it efforts more concentrated, resulting in enhanced performance.

## **5 Structure of the dissertation**

The first part of the dissertation, the Introduction, provides an overview of the topic area. In addition, different issues are stated, research questions defined, hypotheses to be evaluated are proposed, and an assessment of the contribution to the field of knowledge is suggested. Accordingly, methods such as description, compilation, generalization, synthesis and analysis are used. The dissertation will also utilize qualitative, as well as quantitative, methods.



The second part analyses the theoretical background of both customer orientation and customer loyalty. All relevant elements that are related to customer orientation are presented. Market orientation, as a construct related to customer orientation, is also examined. In the literature review, it is evident that customer orientation can consist of several elements. Hence, those elements are elaborated. The process of creating value is researched and its prerequisites are defined. Also, the concept of value is explored from the organization perspective and the customer perspective.

Customer loyalty is another element that is explored in-depth. Different perspectives on customer loyalty are elaborated. An overview of possible management practices, customer loyalty types and levels, as well as different dimensions of customer loyalty, is presented and analysed. Also, ways of managing and enhancing customer loyalty are proposed. The contribution of management and employees to customer loyalty development is also acknowledged.

Empirical research is presented in the third part of the dissertation structure. A conceptual model that relates perceived customer orientation and customer loyalty is proposed. A new scale is designed for operationalizing customer orientation, and the process of its development is explained in detail. On other hand, customer loyalty is operationalized as behavioural, attitudinal and cognitive customer loyalty, based on literature review. Pilot research to evaluate and pre-test constructs of interests is conducted, and results are presented. The data collection process is also described.

Results of empirical research make up the fourth part of the dissertation. In this part, sample characteristics are analysed, and hypotheses related to constructs of interest are tested. The model, as a whole, is analysed. The responses collected from respondents are divided using the split sample procedure, and model is tested first on the calibration part of the sample, and then on the validation part. Different statistical methods of univariate, bivariate and multivariate statistics are used. Structural equation modelling is applied in the model testing phase. Hence, SPSS ver. 19 and LISREL ver. 8.80 are employed as statistical programmes.

Research implications, the final part of the dissertation, summarize the conducted research. Theoretical and methodological contributions are elaborated and managerial implications presented. Finally, limitations of research, as well as further research possibilities, are examined.

# 1 THEORETICAL BACKGROUND

In different periods, organizations have approached customers differently. In the beginning (Houston, 1986; Grbac, 2005; Gray, Matear, Boshoff & Matheson, 1998) was the period of production philosophy, followed by sales philosophy and marketing philosophy. Nowadays, the business of organizations is growing in a period characterized by new marketing relationships. From the early beginnings of marketing thought, customers have always been present in the actions of organizations. Their role, however, has changed from mostly passive to very proactive. Most recently, customers have become an organization's strategic resource around which relationships are built.

## 1.1 The customer as the starting point in the value creation process

### 1.1.1 Defining customer orientation

Organizations that embrace a marketing philosophy in their businesses focus on consumer needs and desires. A marketing philosophy comprises customer focus, integrated efforts and profit direction (McGee & Spiro, 1988). The operational implication of the philosophy is known as the marketing concept. Specific tools by which managers seek to identify and satisfy customer needs.

#### 1.1.1.1 Marketing concept – a shift in the organizational focus

As Houston (1986, p. 86) sees it, **marketing concept** represents a willingness to recognize and understand customer needs and wants, and a willingness to adjust any of the marketing mix elements to satisfy those needs and wants. But not all products and services have to be suggested by customers (Parasuraman, 1981 in McGee & Spiro, 1988), because customers are not always rationale, and they cannot foresee beyond their experience (Dickinson, Herbst & O'Shaughnessy, 1986; McGee & Spiro, 1988). So, as Riesz (1980) points out, an organization does not need to discard new ideas and concepts just because they do not come from customer research. Sometimes an organization has to be courageous to develop a new product or introduce a new service, even if it has a risky outcome. An organization anticipates customer needs by taking social and technological marketing environments into account (Cadogan, Sundqvist, Salminen & Puumalainen, 2002). With this kind of mind-set, an organization is exercising customer focus, one of the marketing concept elements (Houston, 1986).

In addition to customer anticipation, the value of the marketing concept lies in the facilitation of dialogue between producers and consumers (Stidsen & Schutte, 1972). To put it differently, the marketing concept is widely held to be important for developing an effective exchange process between an organization and its customers. Realizing that, organizations have started to nourish relationships with customers in order to get more value, as well as gain more useful information from the market (Houston, 1986). To achieve this, an organization must integrate marketing activities across all its functions. This is possible if there is a common goal to which all activities are aimed. In an organization with a marketing concept,

this goal is profit (Tse, Sin, Yau, Lee & Chow, 2004; Pitt, Caruana & Berthon, 1996; Siguaw, Simpson & Baker, 1998; Kohli & Jaworski, 1990).

According to Pitt, Caruana and Berthon (1996), as well as Webster (2002), the marketing concept can be approached from cultural, strategic and tactical perspectives. From the cultural perspective, it is a philosophy consisting of customer focus, integrating marketing activities across all organizational functions, and a need for organizational objectives. According to Kohli and Jaworski (1990), the strategic perspective of the marketing concept is present in its operationalization, as the generation and dissemination of, and responsiveness to, market knowledge. A tactical perspective is connected with the implementation of the marketing concept in business processes.

As mentioned above, organizations with a marketing orientation have customers as the focus of their business. Customer needs and desires are important, as well as how well an organization is satisfying them. When customers decide about continuing doing business with an organization, a cost-benefit analysis is performed. A decision criterion is the positive value perception in a relationship with an organization. Therefore, the marketing concept has to be based on customer value (Webster, 1994), because in the customers' eyes organizations differentiate themselves with the benefits they provide and with the value customers receive through product/service usage.

#### 1.1.1.2 Acknowledging the market orientation

**Market orientation**, according to the majority of authors in this field of research, presents the implementation of the marketing concept itself (Kohli & Jaworski, 1990; Deng & Dart, 1994; Appiah-Adu, 1998; Appiah-Adu & Singh, 1998; Gray et al., 1998; Lafferty & Hult, 2001; Caruana, Pitt & Ewing, 2003). Knowing this, however, does not make defining market orientation any the less complicated. Authors take diverse point of views in researching it. As a result, several common characteristics of market orientation definitions have emerged (Day, 1994; Mavondo, 2000; Lafferty & Hult, 2001): emphasis on customers and developing value for customers, the importance of shared knowledge (information), inter-functional coordination of marketing activities and relationships, being responsive to market activities by taking the appropriate action, and taking care about the environment and stakeholders.

Taken differently, the conceptualization of **market orientation** can be classified by the following **perspectives** (Lafferty & Hult, 2001; van Raaij & Stoelhorst, 2008): the decision-making, market intelligence, culturally-based behavioural, strategic, customer orientation and capabilities perspective. These perspectives have emerged as reactions to previous research on market orientation, providing different points of view about what market orientation represents and usually not addressing past research as misconceptions. Their characteristics are:

- ❖ the decision-making perspective

This perspective's core is represented by strong management commitment to sharing information and practicing decision-making inter-functionally and inter-divisionally. Market orientation, according to Shapiro (1988), is a set of processes touching all aspects of the organization.

❖ the market intelligence perspective

The work of Kohli and Jaworski has set the framework for this perspective. They identify (Kohli & Jaworski, 1990; Jaworski & Kohli, 1993) market orientation as the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it. So, to be market oriented an organization has to improve its generation and dissemination of, and responsiveness to, market intelligence.

❖ the culturally-based behavioural perspective

According to this perspective, market orientation consists of three behavioural components, (Narver & Salter, 1990) customer orientation, competitor orientation and interfunctional coordination, and two decision criteria, long-term perspective and profitability. Customer and competitor orientation are central to collecting market intelligence and disseminating it through an organization. Meanwhile, interfunctional coordination creates superior value based on the market intelligence collected.

❖ the strategic perspective

The main contributions to the development of this perspective have come from Ruekert's (1992, in Lafferty & Hult, 2001) work. The level of market orientation in a business unit is the degree to which the business unit obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customer needs and wants (Ruekert, 1992 in Lafferty & Hult, 2001). Also, market orientation is a source of competitive advantage (Hunt & Morgan, 1995) if it uses information in defining organization strategy. The most important support systems for strategy implementation are human resource systems. Without their supportive role, little can be done.

❖ the customer orientation perspective

This perspective is based on the work of Deshpande, Farley and Webster (1993). They suggest that market orientation is synonymous with customer orientation. So, in their work, they conceptualize customer orientation as a set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders, such as owners, managers, and employees, in order to develop a long-term profitable enterprise. In their later work (Deshpande & Farley, 1999b); they focus on cross-functional processes and activities, as well as customers' continuous needs assessment. Thus, in their work, customers are the most important element of market orientation or, as they call it, customer orientation. But they neglect competitors and indicate that inter-functional coordination is an integral part of customer orientation which represents an organization's culture.

❖ the capabilities perspective

Day (1994) suggests the process of becoming a market-driven organization. According to him, market-driven organizations have superior market-sensing and customer-linking capabilities. By developing these capabilities, an organization can achieve and sustain a market orientation. Then again, by developing its market-driven capabilities, an organization can outperform competitors (Day, 1998) and alter its market-driven orientation (Day, 2003). By putting its capabilities into action, a market-oriented organization can anticipate marketplace evolution and respond with developing new capabilities and introducing innovative products/services (Slater, 2001).

Over time, the culturally-based behavioural perspective of market orientation has taken lead over other perspectives (van Raaij & Stoelhorst, 2008). So, an organization that is seen as market-oriented generates market intelligence, disseminates it across departments and is responsive to generated knowledge. It is important that all organization departments are involved in this process, during which information about customers and competitors, as well as about other stakeholders, is processed. Caruana, Pitt & Ewing (2003) point out that the level of market orientation of an organization depends on the degree to which the marketing concept is implemented.

Market orientation comprises a responsive and a proactive part (Narver, Slater & MacLachlan, 2004) because an organization has to be sensitive to expressed customer needs (responsive market orientation) and latent customer needs (proactive market orientation). Without their presence, market orientation is not fully implemented. When the stakeholders' view is implemented, we can distinguish between the market-driven and market-driving approach (Jaworski, Kohli & Sahay, 2000). Market driven incorporates learning, understanding and responding to stakeholders' perceptions and behaviours, while market-driving means changing the composition and/or roles of players in the market and/or the behaviour of players in the market in a way that enhances the competitive position of the organization. An organization and its management will use the driving-markets approach if they want to guide market evolution and be innovators in their field (Gotteland, Haon & Gauthier, 2007). Otherwise, they will use the market-driven approach and satisfy only expressed customer needs.

Furthermore, a combination of different perspectives is being researched. Gray et al. (1998) reveal that market orientation consists of customer and competitor orientation, inter-functional coordination, profit emphasis and responsiveness. In studying market orientation, Deng and Dart (1994) have researched customer and competitor orientation, inter-functional coordination and profit emphasis. Other orientations, such as technology orientation (Gatignon & Xuereb, 1997 in Gotteland, Haon & Gauthier, 2007) and distributor orientation (Lambin & Chumpitaz-Caceres, 2006 in Gotteland, Haon & Gauthier, 2007) were added to the market-orientation definition. Some authors (Maignan & Ferrell, 2004 in Gotteland, Haon & Gauthier, 2007) have expanded market orientation to stakeholder orientation, which

includes all agents affecting an organization. Similarly, multiple stakeholders' views can be included in evaluating market orientation (Pavičić, Alfirević & Mihanović, 2009).

**Implementing market orientation** can be quite a trying process. According to Kohli and Jaworski (1990) and Jaworski and Kohli (1993), there are a number of organizational factors that can help or obstruct a market-orientation implementation process:

- ❖ top management in an organization – they play a critical role in shaping an organization's values and orientation. They personally have to put into practice market orientation, as well as provide support to employees (Andreassen, 1994) in its implementation. Also, their personal characteristics, such as risk aversion for innovations, can impede implementation (Avlonitis & Gounaris, 1999);
- ❖ interdepartmental dynamics – are connected with interdepartmental conflict and connectedness. That is why it is important that formal, as well as informal; communication exists among departments (Andreassen, 1994) to enable an organization to function as a whole.
- ❖ organizational structure and systems – market-orientation implementation can be hampered or facilitated through formalization and centralization, as well as through departmentalisation and reward systems (Andreassen, 1994; Avlonitis & Gounaris, 1999; Pelham & Wilson, 1999). Moreover, reward systems (Pelham & Wilson, 1999) play an important role in market orientation implementation by rewarding employees for customer-oriented behaviour.

Numerous authors have researched the **consequences of market-orientation implementation**. Some have found that its implementation can boost business performance (Jaworski & Kohli, 1993; Kohli & Jaworski, 1990; Slater & Narver, 1994a; Narver & Slater, 1990; Appiah-Adu, 1998; Han, Kim & Srivastava, 1998). But Conrad (1999) argues that only in organizations with an innovative culture is this relationship significant. Similarly, Han, Kim and Srivastava (1998) find that an innovation culture facilitates the conversion of market-oriented business into superior corporate performance. Kirca, Jayachandran and Bearden (2005) also find that innovativeness, customer loyalty and quality mediate market-orientation influence on performance. Furthermore, Maydeu-Olivares and Lado (2003) observe that the impact of the degree of innovation on an organization's economic performance is channelled through innovation performance and that customer loyalty, when considered together with innovation, conveys some effect of market orientation on business performance. In addition, Baker and Sinkula (1999) argue that without strong learning orientation, prerequisite for innovations, market-oriented business will not have a great impact on performance. Only strong learning orientation accompanied with strong market orientation will bring about the positive effects of breakthrough innovations for organizations. Menguc and Auh (2006) argue that market orientation, accompanied with high innovativeness, provides for greater performance impact. Therefore, innovativeness and market orientation are very closely connected with organization performance.

On the other hand, McNaughton, Osborne and Imrie (2002) point out that while the market orientation-performance link is not straightforward, it does exist. Through asset creation, an organization creates competitive advantage that increases customer value. Perceived value creates satisfied and consequently loyal customers who, with positive word of mouth, have an impact on cash flow and consequently on business performance.

Influences on this market orientation-performance link have also been researched. A number of authors (Jaworski & Kohli, 1993; Kohli & Jaworski, 1990; Narver & Slater, 1990; Appiah-Adu, 1998; Han, Kim & Srivastava, 1998; Avlonitis & Gounaris, 1999; Slater & Narver, 1994b; Pelham & Wilson, 1999; Hooley et al., 2003; Menguc & Auh, 2006) find that environmental characteristics influence the linkage. These environmental influences are:

- ❖ market dynamics (market turbulence, market growth, entry barriers, buyer power, seller power, technological turbulence, technological changes),
- ❖ competitive intensity (competitors' concentration, competitive hostility),
- ❖ demand side factors (customer desires, value perception, change rate in customer desires, product lifecycle phase),
- ❖ business factors (relative cost, organization size, organization power).

In addition to the market orientation-performance link, authors have also explored other factors with regard to market orientation influence. Hence, some have studied capabilities development in organizations. By developing core capabilities (Narver & Slater, 1990; Slater & Narver, 1994a; Han, Kim & Srivastava, 1998) together with organizational learning capabilities (Morgan, Katsikeas & Appiah-Adu, 1998), an organization can build competitive advantage (Slater & Narver, 1994a). But an extensive approach to market orientation is needed. A market does not consist only of its customers, but of other stakeholders, as well. So, market orientation should appreciate market-driven learning and entrepreneurial values to constitute a learning-organization culture that can create competitive advantage (Slater & Narver, 1995).

The influence on customer (Kohli & Jaworski, 1990), as well as employee, reactions (Kohli & Jaworski, 1990; Jaworski & Kohli, 1993) was researched. Market orientation enhances the positive behaviour of employees by developing organizational commitment and “esprit de corps”. Furthermore, firm effectiveness (Pelham, 1997) is also influenced by market-orientation implementation. In this relationship, product and customer differentiation determine the importance of market orientation.

Where **service organizations** are concerned, Kolar (2006) suggests a model of market orientation consisting of strategic deployment, internal integration, knowledge management, organizational infrastructure, customer interface and organizational culture. These dimensions represent important leverages for implementing market orientation. Customer focus is central to this implementation process. Therefore, successful market orientation implementation in service organizations encompasses customer focus in all leverages. This customer focus in distinct leverages is emphasized through different activities. Hence,

- ❖ strategic deployment – including top management in implementation, building strategy based on customer focus;
- ❖ internal integration – focus should be on the internal environment and interfunctional coordination, as well as on employees;
- ❖ knowledge management – using holistic management of knowledge approach, interpretation and using market knowledge, as well as learning from it;
- ❖ organizational infrastructure – aligned organizational structure and systems, and adapted to market orientation implementation;
- ❖ customer interface – acknowledging direct contacts with customers, applying customization and relationship impacting activities;
- ❖ organizational culture – encompasses tangible (behaviours) and intangible (values, beliefs, norms) elements aligned with customer focus.

Therefore, incorporating customer focus in these leverages helps service organizations to successfully implement market orientation.

Kirca, Jayachandran and Bearden (2005) claim, that the market orientation-performance link is weaker for services than for manufacturing organizations. Likewise, McNaughton, Osborne and Imrie (2002) disclose that market orientation does not have a direct influence on performance in service organizations. For them, service quality is embedded within market-based assets, competitive advantage and customer-perceived value. Moreover, Kasper (2002) and Webb, Webster and Kreppa, (2000) also see market orientation and service quality as being closely linked. Others (Caruana, Pitt & Ewing, 2003), who have researched only service reliability, have reached similar conclusions about this connection. The market orientation and innovation link is also significant in the service industry (Lado & Maydeu-Olivares, 2001). They find that market-oriented firms are more innovative and have higher innovation success.

In **SME** research, Blankson, Motwani and Levenburg (2006) note that market orientation is not practiced by the book. SMEs do, however, apply market-oriented principles: emphasis on customer care, concern for employees' welfare, reliance on intuition and awareness of the environment. This modified market-oriented practice has an influence on performance. Similarly, Pelham and Wilson (1999) underline, that market orientation is important for small firms and that its implementation improves SME performance. Alpan, Yilmaz and Kaya (2007) agree with their finding concerning the market orientation-performance link.

The **aim of market-orientation implementation** is to constantly provide value for customers (Slater & Narver, 1994b; Slater & Narver, 2000). This is possible with market-driven management (Day, 1990), consisting of shared beliefs and values, organization structure and systems, supporting programmes and actions and a strategy development process. In this way, an organization develops superior skills in understanding and satisfying customers.

In the process of providing superior value for customers, it is important to guide employee efforts towards building relationships with customers, use intelligence generation and



dissemination, and implement the quality dimension in products/services. To provide value, an organization has to acquire information about expressed and latent customer needs and competitors' capabilities and strategies (Narver & Slater, 1990; Day, 1994). In the intelligence generation process, an organization can use various techniques, such as focus groups, market surveys and market databases, as well as work with customers and distributors (Von Hippel, 1986 in Slater & Narver, 2000). Employees have great importance in this process. As a result, employees build relationships with customers and distributors through communication chains that enable employees to easily learn their needs and wants. In addition to this collaboration part of intelligence generation, an organization can use experimentation and repetitive experience (Slater & Narver, 2000) to gain knowledge. As employees are important in this process, an organization has to encourage market-oriented behaviour among them. In this way, an organization's corporate culture (Appiah-Adu, 1998; Day, 1994) is directed towards providing superior customer value (Slater & Narver, 1994b; Narver, Jacobson & Slater, 1999). After the intelligence is generated, it has to be disseminated throughout the organization. In this process, management has its role. It can use the acquired knowledge and learn from it with an aim to gain competitive advantage.

Intelligence is created and disseminated through employees and management collaboration, and with the help of organizational systems and corporate culture. It is important that an organization reacts based upon the collected knowledge. After a knowledge base is created, an organization employs its learning capabilities to develop products/services according to customer needs and wants, and to offer them market-induced (Slater & Narver, 1995), as well as breakthrough, innovations (Baban & Leko, 1997). Therefore, innovativeness is perceived as a pillar of highly successful organizations (Deshpande & Farley, 1999a). But, an organization also needs to include the quality dimension in its products/services to ensure that customers get what they expect, every time. The quality dimension, however, has to be adapted to customer expectations because an organization cannot pursue quality "per se" (Garvin, 1987). Many quality dimensions exist, and they have to be balanced to achieve optimal results. Therefore, an organization has to possess superiority in that quality dimension which is important to customers (Garvin, 1987; Slater & Naver, 1994a). Similarly, Day (1994) points out that operational excellence, customer intimacy strategies and product leadership are superior strategies based on delivering customer value.

In changing from old to market-oriented behaviour, an organization passes through different adaptation stages. A successful change programme according to Day (1999) has the following stages: demonstrating leadership commitment; understanding the need for change; shaping the vision; mobilizing commitment at all levels; aligning structures, systems and incentives; and reinforcing change. On the other hand, Gerbhardt, Carpenter and Sherry (2006) argue that creating a market orientation occurs over the following stages: initiation, reconstitution, institutionalization and maintenance. They also find that creating a market orientation requires dramatic changes to an organization's culture and the creation of organizationally shared market understandings. Where the external environment is concerned, Webster (1992) points out that the implementation of market-driven strategy requires skills in designing, developing,

managing and controlling strategic alliances with partners of all kinds, as well as constantly staying focused on changing customer needs.

Market orientation is **made up of different orientations**. These orientations are customer, competitor, stakeholder, technological and profit orientation. With the exception of customer orientation, all others are unambiguously defined. Some authors (Kohli & Jaworski, 1990; Deshpande, Farley & Webster, 1993; Webster, 1992; Shapiro, 1998; Deshpande & Farley, 1999b) consider market and customer orientations as synonyms, since the core element of market orientation is the customer (Kohli & Jaworski, 1990). Trying to define a marketing concept also gives rise to ambiguity. According to Houston (1986, p. 86), a marketing concept represents a willingness to recognize and understand the customer's needs and wants, and a willingness to adjust any of the marketing mix elements, including the product, to satisfy those needs and wants. The main point is the customer. As many authors conceptualize market orientation as marketing-concept implementation, it is not surprising that many of them interchangeably use market and customer orientation in their work, considering that the customer is the focus of both orientations.

Other authors argue that differences exist between market and customer orientation, and that market orientation consists of customer orientation, competitor orientation and inter-functional coordination (Narver & Slater, 1990). According to them, customer orientation (Narver & Slater, 1990) encompasses all activities included in intelligence generation about customers in target markets and the dissemination of that information throughout the organization. In this way, superior customer value is created. But customer needs are dynamic, and constant information collecting is prerequisite for value creation (Dulaimi, 2005). Narver and Slater (1990) emphasize that all components of the market orientation are equally important. Conversely, others (Siguaw & Diamantopoulos, 1995; Hajjat, 2002; Gauzente, 1999) say that customer orientation is the central orientation in market-oriented organizations.

#### 1.1.1.3 Embracing customers as the heart of business

Differently, in their work, Deshpande, Farley and Webster (1993, p.27) conceptualize **customer orientation** as a set of beliefs that put the customer's interest first, while not excluding those of all other stakeholders in order to achieve a long-term profitable enterprise. It is important to recognize the needs, values and beliefs of present and potential customers to constantly enhance customer orientation. In addition it is important to establish customer orientation as corporate culture, because corporate culture is a set of shared beliefs and desires that help people understand how an organization functions, and it provides norms for behaviour in the organization (Deshpande & Webster, 1989). So, customer orientation is corporate culture that emphasizes the customer as the focal point of strategic planning and implementation (Chen et al., 2004; Nwankwo, 1995), as well as a factor of sustainable competitive advantage (Appiah-Adu & Singh, 1998).

Organizations that **implement customer orientation** should seek to embed the following actions (Nwankwo, 1995; Kennedy, Goolsby & Arnould, 2003) into their businesses: making the customer a partner and an integral part of the organization included in the core of the organization's strategy process, reorientation towards connecting with customers, taking care of customer requirements, ensuring managers make informed decisions about their customers, employing committed leadership through all management levels, ensuring inter-functional coordination and connectedness in meeting customer needs, and disseminating collected knowledge throughout the organization for decision purposes. Furthermore, both management and employees play important roles in implementing customer orientation. In the process of providing superior value to customers, it is important to have products/services that satisfy customer needs. To create such products/services, an organization must be close to customers by developing relationships with them.

As pointed out in the definition of customer orientation, customer interests come first. An organization takes care of its customers by offering them superior value (Naver & Slater, 1990; Wu & Lee, 2005; Snoj, Milfelner & Gabrijan, 2007) in contrast to competitors (Siguaw & Brown, 1994; Carson, Gilmore & Maclaran, 1998; Gray et al., 1998). To find out what generates superior value for its customers, the organization must research them, we can say, almost constantly. Therefore, market research becomes a continuous process with the aim to collect information to provide added value for customers (Narver, Jackobson & Slater, 1999). Competitors, however, should also be taken care of because customers are not always rational in their decisions (Dickinson, Herbst & O'Shaughnessy, 1986; Nwankwo, 1995) and are under different market influences.

These market influences can come from the macro and micro marketing environment (Grbac, 2006). Not only does an organization need to take care of its customers and competitors, but it also has to look after its distributors and suppliers as well. From the perspective of the macro environment, an organization has to consider economic, political and legal influences, technological and demographic influences, as well as social and cultural influences. All these influences shape an organization's environment. The organization has to take them in account and be responsive (Akimova, 2000) in order to create value for customers through its marketing mix.

Constantly caring for its customers and developing collaborative relationships gives an organization a possibility to better **adapt its products/services** to ever-changing customer needs and wants (Pelham & Wilson, 1999; Wang & Lo, 2003). Therefore, because an organization is close to its customers, it can offer them products/services that suit their needs the best (Daniel & Darby, 1997; Thomas, Soutar & Ryan, 2001; Periatt, Lemay & Chakrabarty, 2004). Close and constant interaction with customers as a result of establishing relationships with them is the best way to satisfy their needs (Daniel & Darby, 1997) and to develop customer satisfaction.

In this way, customers are becoming the partners of organizations (Bartley, Gomibuchi & Mann, 2007), because together they develop new products/services and modify the existing offering to provide more value to customers. But, besides being close to its customers, as organization has to be innovative, creative, as well as forward looking (Egan & Shipley, 1995; Olson, Slater & Hult, 2005). It must not solely rely on existing customer needs, but it must also be sensitive to their latent needs. A focus on total customer satisfaction incorporates not just present, but also future needs. Therefore, it fosters continuous innovation (Peters, 1984 in Han, Kim & Srivastava, 1998). Moreover, an organization's innovativeness is a key factor in delivering superior value, and this is facilitated by a market-oriented corporate culture (Han, Kim & Srivastava, 1998). By using their innovativeness, organizations can develop products/services that will thrill their customers (Olson, Slater & Hult, 2005). That is how an organization becomes a leader in providing superior value (Vandermerwe, 2003) that others follow. But this innovativeness must not hamper product/service quality.

Therefore, the quality dimension has to be included in new products/services, as well. Contact with customers, together with the research that organizations conduct, ensures information about the quality dimensions that customer values. Higher quality than expected alters price and is not perceived as added value. Conversely, lower quality than expected pushes customers away. Accordingly, product/service quality is tailored to customer requirements (Garvin, 1987; Kearney, 1994; Slater & Narver, 1994a; Quinn, 1996; Peccei & Rosenthal, 2000; Pitta, Franzak & Little, 2004). As a consequence, when their expectations and experience with a product/service coincide, customer satisfaction is present. So, harmonizing customer requirements with the product/service quality dimension gives customers a sense of getting superior value.

When an organization embraces its customers as one of the aspects that shape its business, it can be said that the organization is **developing relationships** with customers (Day, 1994). It is important that, in this relationship-development process, organizations really can provide what they have promised (Caruana, Pitt & Ewing, 2003). Based on promises, customers can create realistic expectations about products/services (Bejou, Ennew & Palmer, 1998; Hajjat, 2002). As a result, customers perceive that the organization values them and that it cares about their satisfaction (Michaels & Day, 1985; Dean, 2007). This consequently develops trust and commitment, making the relationship even tighter.

In managing customer relationships, organizations acknowledge the value that current customers are providing them. Customers are approached as assets, and the value they provide is measured through customer equity and customer lifetime-value influence on profit and revenue increase (Hogan et al., 2002; Thomas & Gupta, 2005; Bolton, Lemon & Verhoef, 2004; Berger et al., 2006). To measure this efficiently, the length, depth and breadth of the customer-organization relationship must be considered (Verhoef, 2001 in Bolton, Lemon & Verhoef, 2004). On the other hand, if the organization is willingly trying to increase financial outcomes, it must apply several marketing instruments (Bolton, Lemon & Verhoef, 2004) that include price, service quality programs, direct marketing promotions, relationship marketing

instruments, advertising/communications and distribution channels. Consequently, relationship perceptions and customer relationship behaviour is influenced.

Perceiving customers as assets is a starting point in establishing and developing relationships with customers (Vandermerwe, 2003). By maintaining relationships, an organization constantly receives value from customers. This value can be maximized providing the organization understands the impact of specific relationship characteristics on short- and long-term success measures (Reinartz & Kumar, 2004). On the other hand, the organization has to provide value to customers in order to establish a long-term profitable customer base. This customer base represents a foundation on which an organization can build its financial stability and growth.

In this process of implementing customer orientation the manager's role is very important. The manager has to demonstrate to employees what customer orientation really is. Through leadership (Nwankwo, 1995; Lewis, 2004), the manager has to encourage **employees in customer-oriented behaviour**, provide resources and create preconditions, as well as plan employee activities (Davenport, Harris & Kohli, 2001) for successful customer-orientation implementation. Furthermore, with an aim to successfully implement customer orientation, the manager has to encourage (Day, 1998) superior solutions, focus on superior customer value, convert customer satisfaction to loyalty, empower and retain employees, anticipate competitors moves, view marketing as investment, as well as nurture and leverage brands as assets.

Customer-oriented activities should be synchronised, and collaboration among departments has to be achieved (Narver & Slater, 1990; Day, 1994; Kennedy, Goolsby & Arnould, 2003). At the employee level, interconnectedness (Jaworski & Kohli, 1990) and coordinated actions (Shapiro, 1988; Andreassen, 1994) are very important. Employees have a huge role in information generation, but this knowledge has to be used and disseminated across the organization. In this dissemination process, management has the coordinating role to ensure that information is correctly disseminated across the organization (Shapiro, 1988; Day, 1994). The use of information technology enables this dissemination process, provides better communication with consumers and helps to alter knowledge use in an organization. It is important that management, as well as employees, understand that only together can they provide superior value for customers (Judd, 2003). This is the best way to achieve customer orientation and improve an organization's performance.

Delivering superior value creates customer satisfaction. But, satisfaction is also created in interaction with employees. Satisfied employees communicate their satisfaction in interaction with customers (Siguaw & Brown, 1994; Day, 1998; Lindgreen & Crawford, 1999; Sewell & Brown, 2002), thus influencing customer satisfaction. Customer-oriented employees usually try harder than expected to satisfy customers' needs (Hajjat, 2002), resolve complaints in an uncomplicated way (Egan & Shipely, 1995; Hajjat, 2002) and provide easy-to-understand

explanations, because they understand that customer satisfaction is an important part of the customer-oriented organization.

Employee empowerment is also important in providing superior customer value. Without it employees cannot freely customise products/services to customer needs and requirements, and they cannot help customers to completely solve their problems (Peccei & Rosenthal, 2000). Empowerment provides employees with a sense of belonging to an organization, and it positively influences their satisfaction (Kohli & Jaworski, 1990; Baker, 2002). Besides being empowered, it is important for employees to be innovative and forward-looking (Slater & Narver, 1999; Chen et al., 2004). Innovativeness is manifested through interaction with customers in creating new offerings of the organization. Furthermore, developing close relationships with customers also contributes to superior value creation.

Moving away from traditional transactional marketing towards a new marketing concept based on relationships implies recognizing customers as partners in the value creation process. Every element within the organization should be oriented in a value-creation direction. Besides acknowledging customers as important elements in the value creation process, the organization should consider the competition and other actors on the market. Today's marketplace is very dynamic, and neglecting to recognize its influence could be fatal in the long run for an organization. Also, information collected from customers should be disseminated through the organization and reacted upon. Hence, customer orientation is characterized as a corporate culture that puts customer interests first, while not excluding the interests of other stakeholders, in order to achieve long-term profitable business. This is achievable by acknowledging customers as an organization's partners and consequently building relationships with them. Through these relations, an organization can gain deep knowledge about customer needs and desires and can accordingly adapt and develop products/services to satisfy its customers. Helping hands in this process are an organization's employees. They establish and maintain contacts with customers. So, being friendly and helping customers to resolve their problem augments the perception of customer orientation. This reinforces the relationship with customers. Value adding relationships are associated with an organization's ability to gather information from its customers, provide immediate feedback and demonstrate to customers that its cares about them. Once an organization has acknowledged its customers as valuable assets, it needs to actively manage them. This is possible by developing relationships aimed at providing more value to customers and, ultimately, more value to the organization.

### **1.1.2 Creating value for customers**

The central element of the value creation process is the value that customers perceive they are getting. The starting point in the value creation process is to find out what are a customer's needs and wants in order to be able to provide an appropriate product/service. In-depth knowledge about customer needs and wants can be obtained not just through market research, but also through close contacts with customers. This close interaction is based on establishing

relationships with customers. An organization that acknowledges this is implementing a relationship marketing approach in its business.

#### 1.1.2.1 Relationship marketing - a starting point in the value creation

Focus on long-term win-win relationships and joint creation of value between involved parties characterizes **relationship marketing** (Gummesson, 1999, p.24 in Gummesson, 2002). But creating value is not just within the organization's domain. It also involves customers. Hence, value is created with joint organization and customer efforts; however it is defined primarily by the customer (Khalifa, 2004). Perception of value lies in the customer's eyes and is heavily under value-in-use influence (Vargo, Lusch & Akaka, 2010). So, an organization that wants to be recognized as one that provides value for customers has to acknowledge customers' perception of value. This is possible through establishing partner relationships that are grounded on collaboration. Moreover, the long-term nature of close relationships has to be taken into account. Emphasis is placed on relationship marketing because its implementation in the organization is related to perceiving customer as assets, fostering mutual exchange of value for all involved parties (Grönroos, 1994) and shifting attention to developing relationships with customers as preconditions to learning about a customer's value.

Relationship marketing is a widely accepted business practice. Its origin is linked to Berry (1983 in Hennig-Thurau & Hansen, 2004; Berry, 2002) who observed that emphasis should be put not only on acquiring customers, but also on retaining them. According to Berry, relationship marketing is about attracting, maintaining and, in multi-service organizations, enhancing customer relationships. Although it is widely accepted that Berry's work was the first in researching relationship marketing, Tadajewski argues differently. According to Tadajewski (2009), relationship marketing was present in papers dating back to the period 1920-1930 or even further into the past, to the 1880s (Tadajewski & Saren, 2009), mainly in business-to-business research. Nevertheless, while relationship marketing may not be a new concept, Berry deserves credit for being the first to study it in-depth.

Until the 1990s, little emphasis was put on researching the elements of relationship marketing. Since then, a body of different researches has contributed to relationship marketing thinking (Ballantyne, Christopher & Payne, 2003). Two **research courses** are present. One course is gathered around the IMP group, and researchers concentrate their efforts on business relationships. The other course, the relationship marketing approach, largely popular in North America, is concerned with channel management and focuses its research on exchange relationships among partners. Researchers are engaged in exploring different forms of relationship marketing, for example, direct marketing, one-to-one marketing, database marketing, customer relationship management and loyalty programmes. Also, these approaches are characterized by different points of interest and purposes (Čater, Žabkar & Čater, 2011). In the relationship marketing approach, the typical research questions address the supplier's interests. Researchers are particularly interested in how the outcomes of relationships are connected with commitment and trust. This approach places emphasis on the

normative purpose of the research and understanding of different variables that affect social action. On the other hand, IMP researchers are more interested in conceptual questions concerning relationships, interaction and networks. Furthermore, the IMP approach is more explorative and descriptive (Mattsson 1997 and Håkansson & Snehota 2000 in Čater, Žabkar & Čater, 2011) and focuses on all kinds of relationships.

Morais, Kerstetter and Yarnal (2006) also present a different approach to relationship marketing when they argue that it focuses on different perspectives, such as managing interactions, relationships, and networks; requires the generation of customer databases; includes developing relationship-oriented integrated marketing communications; involves the creation and maintenance of lasting relationships and requires thinking about the product or service from the customer's perspective.

Grönroos's (1990, p. 138 in Grönroos, 1994) **definition** of relationship marketing is the one most widely accepted and, as Harker (1999) argues, the one with paramount coverage. According to Grönroos, the aim of marketing is to establish, maintain and enhance relationships with customers and other partners with a profitable outcome. This is achieved by a mutual exchange and fulfilment of promises among all involved parties. Harker (1999), after researching 26 different definitions of relationship marketing, exposed their common characteristics. Hence, they focus on the creation, development, maintenance, interactiveness, long-term aspect, emotional content and output of the relationships. Likewise, Grönroos (2006b) argues that there exist different, inconsistent conceptualizations of managing customer relationship, ranging from a mutual understanding of involved parties and a display of customer repetitive behaviour to relationship marketing instruments (loyalty programmes) and perceiving relationships as just another variable in the marketing mix used to manipulate customers.

Hence, a transition towards a relationship marketing strategy requires a **focus** on resources and competencies in the relationship (Grönroos, 1999) or, as others (Morgan & Hunt, 1994; Gummesson, 2003) assert, it should focus on interaction within networks of relationships. To successfully implement relationship marketing, an organization should define an appropriate strategy. A relationship-marketing strategy continuum includes (Berry, 2002; Grönroos 1991 in Grönroos, 1995) core service strategy, relationship customization, a dominating market orientation, a dominating quality function, customer information systems, interdependency between business function and internal marketing. All these should strengthen customers' trust in an organization. According to different authors, key drivers in relationship marketing are promise and trust (Grönroos, 1994), commitment and trust (Morgan & Hunt, 1994) or core service(s), service quality and trust (Berry, 2002).

Relationship marketing is built on three interrelated **approaches** (Hennig-Thurau & Hansen, 2004): a behavioural perspective of relationships, a network approach and a new institutional economics approach. The first approach is mostly based on internal relationships and relational constructs, such as trust and satisfaction, while the second focuses on the interactive



character of relationships and takes an inter-organizational perspective. The third approach uses modern economics theories to explain the development and breakdown of relationships, and views relationship marketing with the overall goal of minimizing the costs of structuring and managing relationships.

#### 1.1.2.2 Customers as valuable assets

Long-term relationships are essential in relationship marketing (Reinartz & Kumar, 2000). To successfully implement this approach, organizations have to put customers in centre of their businesses, that is, they need to embrace a customer-centric view. In this view, all decisions start with the customer and opportunities for advantage, and the organization's business philosophy is to serve customers (Shah, Rust, Parasuraman, Staelin & Day, 2006). Moreover, this view is relationship-oriented. Hence, it goes alongside the relationship marketing strategy. Kumar, Lemon and Parasuraman (2006) maintain that the era of accepting customers as critical assets of a firm started with the work of Blattberg and Deighton (1996), Reinartz and Kumar (2000) and Srivastava, Shervani and Fahey (1998).

According to Srivastava, Shervani and Fahey (1998) and Srivastava, Fahey and Christensen (2001), **customers** are a source of relational market-based **assets**. But customers are not its only source. These relational market-based assets are outcomes of the relationship between an organization and external stakeholders. They consist of customer relationships, as well as partner relationships, with the organization. Authors also acknowledge the existence of intellectual market-based assets, that is, the knowledge that an organization possesses about its marketing environment. Moreover, Blattberg and Deighton (1996) have established a framework for organizations to accept customer as assets. Reinartz and Kumar (2000) place emphasis on customer profitability and point out that an organization has to take care of both short-life and long-life customers, because long-life customers are not necessarily more profitable ones. Furthermore, Blattberg and Deighton (1996), as well as Reinartz and Kumar (2000), distinguish that, in keeping its long-life customers, an organization has to focus on customer commitment.

When an organization acknowledges customers as the centre of its business, it has to bear in mind several potential challenges that might appear. In particular, acknowledging Shah et al. (2006) research in customer-centric approach, an organization has to align its structure, processes, culture and financial metrics. Furthermore, for an organization to profoundly implement a customer-centric approach all these elements have to be harmonized.

By accepting customers as assets, an organization has to consider their contribution to assets development. This has given rise to **customer asset management**. Berger et al. (2002) assert that for organizations to effectively manage the asset value of the customer base, they need to take several actions into account, such as database creation, market segmentation, forecasting customer purchase behaviour, and resource allocation to maximize value. Conversely, Bolton, Lemon and Verhoef (2004) propose a framework of customer asset management in services

(CUSAMS), consisting of marketing instruments, relationship perceptions, customer behaviour and financial outcome. An organization can utilize different marketing instruments. This framework takes into account price, service quality programs, direct marketing promotions, relationship marketing instruments, advertising/communication and distribution channels. By managing these marketing instruments an organization influences customers' perceptions of a certain relationship. According to the CUSAMS framework, it can influence their price perception, satisfaction or commitment. Furthermore, these perceptions do influence and enhance relationship duration (length), service usage (depth) and cross-buying of services (breadth). So, with different marketing instruments an organization can enhance favourable customer behaviour and increase revenues. On the other hand, these instruments do create certain costs for an organization. When included in one framework, they are regarded as customer lifetime value. Characteristic of both frameworks is that they take into account future customer behaviour and its impact on financial outcome.

In assessing customer assets, organizations can use different metrics. According to Zeithaml et al. (2006), four types of customer metrics are used today: perceptions, for example, customer satisfaction; overall judgments, such as awareness or interest; behaviour, for example cross-selling; and financial measures, for example customer lifetime value or customer equity. They are mostly concerned with past customer behaviour and can only partly, if they use highly sophisticated programs, predict future customer behaviour. Among them, only customer lifetime value or customer equity can be used to foresee customer future behaviour. These metrics are also preferred marketing metrics (Kumar, Lemon & Parasuraman, 2006).

Customer equity and customer lifetime value are interrelated. As Hogan et al (2002) and Kumar, Lemon and Parasuraman (2006) point out, customer equity is a combination of an organization's current customer lifetime values and the value of an organization's potential customer assets. Therefore, starting with individual customer lifetime value, an organization has to take into account its entire customer base, present and potential, to effectively manage customer equity. On the other hand, customer lifetime value (CLV) represents the net profit or loss to the organization from a customer over the entire life of transactions of that customer with the organization (Jain & Singh, 2002; Gupta et al., 2006). Hence, the starting point for customer equity is the calculation of customer lifetime value.

Naturally, these customer transactions represent the behaviour of a certain customer towards an organization. Moreover, Berger et al. (2002) argue that **customer lifetime value** is under the influence of customer behaviour and customer mindset. This customer mindset comprises customer awareness, associations, attitude and attachment towards certain products/services, organization or competitor (Keller & Lehmann, 2003 in Berger et al. 2002). Therefore, when an organization wants to manage CLV, it must take into consideration customer mindset, because mindset shapes customer behaviour.

Organizations can implement a variety of models in assessing CLV. They can be categorized (Jain & Singh, 2002) as CLV calculation models, customer-based analysis models, and normative CLV models. Moreover, Gupta et al. (2006) argue that approaches to CLV modelling are different. They classify them into six different categories of models: RFM (recency, frequency, monetary value), probability, econometric, persistence, computer science and diffusion/growth models. These models are used for calculating customer acquisition, retention or expansion. Hence, they provide a systematic way of assessing profitable customers, help estimate the value of individual customers or segments of customers, and can be used to analyse the effects of an organization's actions on lifetime value (Jain & Singh, 2002). These CLV models should also include certain aspects as pointed out by Hogan et al. (2002) and Bolton, Lemon and Verhoef (2004). These elements include: adjusting for risk of individual customers, capturing social effects, incorporating competitive effects, including product life cycle, accounting for managerial flexibility, including objective measures for assessing customer purchase behaviour and the necessity to collect data at the individual level. With these elements, CLV measuring models would gain more predictive power and provide more accuracy in estimating CLV.

When organizations decide to measure CLV, they produce a shift in the mindset of managers and employees away from products towards customers, and away from transactions towards a long-term relationship orientation (Gupta & Lehmann, 2003). An upgrade of this approach is to include the value of potential customers, that is, to concentrate on customer equity. Hence, an organization will employ customer equity management. This is a comprehensive management approach that focuses the efforts of the organization on increasing the lifetime value of individual customers, that is, increasing the organization's customer assets in a way that maximizes customer equity (Hogan, Lemon & Rust, 2002). According to Kumar (2006 in Leone et al., 2006), organizations should adhere to the following guidelines to efficiently manage customer equity. Organizations should know their customers to be able to deliver superior value while maximizing profitability, adopt a forward-looking metric such as CLV, select the high- and medium- lifetime value customers for future targeting, allocate the optimal marketing budget across different customers based on "future" revenue potential, sell the right product to the right customer at the right time, balance acquisition and retention resources and apply optimal spending, minimize churn of high-value customers, and encourage single channel customers to become multichannel customers. These guidelines represent a sound foundation for organizations that are starting to implement customer equity management.

Several changes in the marketing environment have facilitated the shift of organizations towards **customer equity management** (Hogan, Lemon & Rust, 2002). Drivers that have encouraged organizations to shift include growing competition, growing demand to be more accountable towards shareholders, massive investments in customer relationship management, possessing detailed information about customers, and the use of technologies that enable organizations to personalize their offers. Moreover, this shift was the outcome of applying new approaches to marketing practice and customers, as well. Therefore, the roots of this

approach are found in direct/database marketing, service quality, relationship marketing, and brand equity (Hogan, Lemon & Rust, 2002).

Key drivers of customer equity (Lemon, Rust & Zeithaml, 2001) are value, brand and relationship (retention) equity. Value equity is defined as the customer's objective assessment of the utility of a brand, based on perceptions of what is given up for what is received. Brand equity is built through image and meaning, and it is described as a customer's subjective and intangible assessment of a brand, above and beyond its objectively perceived value. Relationship equity is classified as the tendency of the customer to stick with the brand, above and beyond the customer's objective and subjective assessments of the brand. All together, they form customer equity. The importance of an individual driver of customer equity will depend on the industry and the market characteristics.

Organizations aim is to maximize customer equity and, consequently, this will increase the value of the organization. Lemon, Rust and Zeithaml (2001) provide guidelines on how to boost customer equity. Their propositions are dispersed among three drivers of customer equity: value, brand and relationship. For value equity, important influences are quality, price, and convenience; for brand equity, these are brand awareness, attitude towards the brand, and corporate ethics; and for relationship equity, these are a variety of programs (loyalty, affinity, community and knowledge –building), as well as special recognition and treatment. Blattberg and Deighton (1996) also offer their guidelines for increasing customer equity. They base their propositions on management issues and suggest the following: investing in highest-value customers first, transforming product management into customer management, taking into consideration the influence of add-on sales and cross-selling on customer equity, reducing acquisition costs, tracking customer equity gains and losses against marketing programs, relating branding to customer equity, monitoring the profitability of customers, and writing separate marketing plans—or even building two marketing organizations—for acquisition and retention efforts.

An overview of past researches of customer equity provided by Sharma (2006) show that most researches focus on high lifetime value customers. By concentrating on high lifetime value customers, an organization can receive more value than concentrating on low lifetime value customers. But, it has to bear in mind that these high lifetime value customers represent a small percentage of the total customer base in an organization (Zeithaml, Rust & Lemon, 2001). According to Hogan et al. (2002), there are a number of sources of value from customers. Authors using products (current, related or unrelated) and customers (current, new) differentiate among several sources of value: up-sell, upgrade, increased usage, cross-selling away from core product, brand extension for current customers and on-going acquisition activities, cross-selling back to core product, and diversification for new customers. These customer actions influence the financial value of an organization. Lengnick-Hall (1996) adds relationships between employees and customers as another source that provides value to the organization. But it works in the opposite direction, as well. By

establishing a relationship with an organization, customers can get more value because of their mutual collaboration.

#### 1.1.2.3 Creating value through relationships

By changing its perspective to customers (Thomas & Gupta, 2005), an organization accepts customers as active partners and resources for value creation. Hence, they are **co-creating value** (Prahalad & Ramaswamy, 2000 in Vargo, Lusch & Akaka, 2010; Edvardsson, Enquist & Johnston, 2005). This co-creation of value is also based on a re-focused view of value. Organizations are shifting away from a traditional view of value and focusing on value in use (Vargo, Lusch & Akaka, 2010). The traditional view of value encompasses a standpoint that value is embedded in a product/service and that exchange among partners is based on this value included in the product/service (Grönroos, 2006b). The new focus of value is represented by the value-in-use syntagm. In this concept, value is being created and determined when customers use a product/service and when they interact with suppliers in co-creation. Therefore, value is what customers get out of products/services. Furthermore, value is created through exchange and is based on mutually beneficial relationships among partners. Hence, based on their experience, each party involved can decide if the result of exchange is valuable to them or not. Time, place and network relationships have great importance in determining if something is valuable or not (Vargo, Lusch & Akaka, 2010).

In this value co-creation process, environment has an influence (Vargo, Maglio & Akaka, 2008). Environment is often perceived as an uncontrollable force. But different environmental influences, such as social, ecological or governmental surroundings, are integrated, and sometimes even relied upon, by all service systems (customers, organizations and countries) in the value co-creation process. In addition, Vargo, Maglio and Akaka (2008) argue that traditional value-in-exchange must not be neglected, because it represents the fundamentals for value creation process. Therefore, the process of co-creating value is driven by value-in-use, but mediated and monitored by value-in-exchange.

Vargo and Lusch (2004), as well as Grönroos (2006b), argue that organizations can only develop and suggest value propositions to customers. Customers determine value and participate in its creation through a value co-creation process. Hence, real or perceived value is created in the value co-creation process in which customers and organizations participate. Customers, when using products/services, generate value and include organizations in its co-creation. In this value-generation process, organizations develop various types of offerings, communicate value propositions to customers, provide them with resources and, therefore, support the whole process (Grönroos, 2006a, 2006b). Hence, customers and organizations are partners in the value co-creation process. Moreover, according to Grönroos (2006a), services act like value-supporting processes and, contrary to goods, are perceived as value-supporting resources. By adopting service-logic, an organization acts as a facilitator in the customer value creation process.

Organizations have to compare the value of customers to the organization with value they provide to customers (Gupta & Lehmann, 2005 in Zeithaml et al., 2006). This framework, presented in Figure 1, distinguishes between four types of customers.

*Figure 1. Comparison of Value of Customers to the Organization with Value to Customers*

	Low value to customers	High value to customers
High value of customers	Vulnerable customers	Star customers
Low value of customers	Lost causes	Free riders

Source: S. Gupta & D.R. Lehmann, 2005 in V.A. Zeithaml, R.N. Bolton, J. Deighton, T.L. Keiningham, K.N. Lemon & J.A. Petersen, *Forward-looking focus: Can firms have adaptive foresight?*, 2006, p.174

The presented framework enables an organization to cluster customers according to two dimensions. The first dimension is the perception of value that an organization gains from customers. The second dimension is represented through customers' perceived value of an organization's offering. Taking this framework into account, organizations have to put emphasis on star customers. These customers yield a high value to the organization and perceive the organization's offerings as having a high value for them. This group will perceive an organization's offering as being superior and providing more value to them. The group that perceives an organization's offering as having low value for them and that provides low value to organizations, that is, lost causes, should be eliminated, with time, from the organization's customer portfolio. Likewise, Reinartz and Kumar (2000) suggest that the customer base has to be segmented according to lifetime duration and revenues, implying that not all long lifetime customers are ones with high revenue value. The segmentation principles mentioned should help managers in deciding on which customers to concentrate their efforts to get the highest benefits.

Besides knowing its target segments, an organization has to focus on delivering superior customer value to its customers (Day, 1998). The starting point in this superior value creation process is the notion that an organization has to outperform its competitors in delivering what customers want. Hence, the basis for learning about customers is the market-driven approach in an organization (Slater & Narver, 1994a). Market learning and knowledge about markets enables the value creation process and provides differential customer value (van Raaij & Stoelhorst, 2008), consequently enhancing the organization's performance.

Another possibility for organizations to provide superior value to customers is through integration in the **value chain**. Integrating with competitors is one option. In this value chain that applies customer-value management principles, each organization is doing what it does best with the aim of maximizing value creation for the end customer (Muthuraman, Sen, Gupta, Seshadri & Narus, 2006) at superior profits (Goodwin & Ball, 1999). Synergy that can be created within a relationship is a fundamental prerequisite for becoming involved with competitors in the value chain. Other prerequisites are industry leadership, organizational maturity and preparedness, as well as a desire for co-destiny (Muthuraman et al., 2006). According to Goodwin and Ball (1999), customer value management consists of the following elements: entity leadership and customer advocacy function, customer loyalty

measurement, qualitative customer voice, value delivery system and internal process metrics. Strategic management should encompass organizational focus and leadership for a customer value management system. Furthermore, it has to include what drives customer loyalty into strategic priorities. Customer loyalty is important as it signals that an organization is providing value to customers and, consequently, implies higher profits. Customer loyalty measurement and qualitative customer voice provide crucial information for including customer value in strategic elements. These processes allow an organization to build and provide value to customers through the value delivery process. As the main goal is to optimize value exchange between an organization and its customers, customer value management also has to include different internal process metrics.

Additionally, a network of organizations can together provide value to customers. The success of this value chain depends on several practices (Pitta, Franzak & Little, 2004): relationships, interactivity, valuing customers over time, and customization. According to authors, relationships create value and, over time in the long-term, relationship value is increased for every party involved. Under the impact of technology, the interactivity between organizations and customers is altered, and changing customer demand can be more successfully covered. As a consequence, organizations can deliver customized value to their customers. Hence, the need for collaboration and integration will rise. To effectively manage their customer base, organizations use metric evaluations of customers. In applying metric evaluation, organizations focus on profitability, rather than on customer longevity.

A variety of marketing partners is present in a network organization (Webster, 1994). It is vital for all partners that customer value is the central element of business strategy. In addition to business strategy, organizational culture and structure must also be aligned to provide superior value to customers. This can help in sharing the importance of customer value through the organization (Goodwin & Ball, 1999).

For an organization to be successful in the process of creating and delivering value to customers, it has to have knowledge about customers and what they value. In competitive environments, this knowledge becomes the focus of organization management (Wang & Lo, 2003), because delivering superior value has become an important factor of an organization's performance and a successful competitive strategy (Ravald & Grönroos, 1996).

What customers perceive they will get from an organization is influenced by purchase intent and hope for the relationship (Zeithaml et al., 2006). Customers can perceive a certain organization on a transactional basis or can perceive it as a good candidate for long-term relationship. Therefore, if an exchange is perceived as relational, it will consequently provide more value to the customer, and customers will be willing to share their needs and wants with that organization. In assessing value, customers take into account the following (Srivastava, Fahey & Christensen, 2001): product features and functional attributes, experiential benefits resulting from interaction, developed attitudes towards an organization, and value from network effects.

#### 1.1.2.4 Customers' value perception

An organization has to **deliver what customers value**. This is achievable if the organization feels committed to its customers, organizes its activities around customers and understands what customers want (Goodwin & Ball, 1999). These activities are prerequisites for a customer's preferential treatment (Lacey, Suh & Morgan, 2007) that consequently will positively influence relational outcomes, such as commitment, increased purchase, and word-of-mouth. Furthermore, an organization has to disseminate collected information throughout the organization. As a consequence, these strategies will help an organization to successfully respond and create value for customers.

The starting point in creating and delivering customer value is to understand what represents value to the customers. Value is differently conceptualized. The most frequently used conceptualization, according to Sánchez-Fernández and Iniesta-Bonillo (2007), is that of Zeithaml (1988, p.14), defining customer value as consumer overall assessment of the utility of a product based on perceptions of what is received and what is given. These authors also state that perceived customer value is sometimes confusingly differentiated, or not differentiated at all, from concepts, such as values, utility, price and quality. Similarly, Khalifa (2004) also observes some difficulties in defining customer value.

**Customer value** is determined by customers, not by an organization (Whittaker, Ledden & Kalafatis, 2007; Khalifa, 2004). It has several characteristics (Whittaker, Ledden & Kalafatis, 2007; Sánchez-Fernández & Iniesta-Bonillo, 2007) such as: value is situation dependent, time and experience influenced; value is determined by existing competition; value is also customer dependent, subjective and context dependent. These characteristics are sources of confusion in the attempt to unambiguously define customer value.

Khalifa (2004) suggests three categories of **customer value definitions**: value components models, utilitarian or benefits/costs ratio models and means-end models. Value component models distinguish between principal value elements, such as esteem, exchange and utility (Kaufman, 1998 in Khalifa, 2004) or between dissatisfiers, satisfiers and delighters (Jonier, 1994 in Khalifa, 2004). They focus solely on customers' benefits. In benefits/cost ratio models, value is defined in relation to pricing, that is, the difference between benefits (tangible and intangible attributes) and sacrifice (monetary and non-monetary). While they are superior to value components models and consider customer value over several interactions with an organization, they do not include the dynamic component of value. Means-ends models assume that customers use products/services to accomplish favourable ends. They explain why customers differently evaluate some benefits among offered alternatives, but they do not explain customer sacrifices in greater details. Based on this research, Khalifa (2004) suggests an integrative approach that combines these different research models. In this integrative approach, the author proposes three models: the value exchange model, the value build-up model and the dynamics of customer value model. Hence,



- ❖ the value exchange model is in its essence a give-and-take model or benefits-cost model. It assumes that customers are willing to sacrifice a certain amount of time, money or effort and take certain risks in exchange for expected benefits that outweigh total sacrifices. This model is, based among others, on the research of on Zeithaml (1988), Grönroos (1997b), Huber, Herrmann and Morgan (2001), Parolini (1999 in Khalifa, 2004) and Groth (1994);
- ❖ the value build-up model focuses solely on the benefits side and implicitly assumes that total customer benefits exceed total customer costs. Customer value is augmented when an organization treats its customers like persons and when actions are directed towards satisfying customer's utility needs. Model builds on the work of McKean (2002 in Khalifa, 2004), Smith and Wheeler (2002 in Khalifa 2004), Horovitz (2000 in Khalifa 2004), Schneider and Bowen (1999) and Lovelock (1983), among others;
- ❖ the value dynamics model reflects the dynamics of how customers evaluate a supplier's total offering. According to this model, relationships are comprised of two dimensions: the consumer dimension focusing on products/services and its attributes and the person dimension focused on core personal needs. Research conducted by Schneider and Bowen (1999) represents the groundwork for this model.

These models are interrelated and represent complements. They can be represented as cascading the three complementary models. At the core is the value dynamics model, followed by the value build-up model and the value exchange model. Hence, according to Khalifa (2004), not one of the models can, by itself, explain the true nature of value.

Sánchez-Fernández and Iniesta-Bonillo (2007) provide a detailed account of the nature of consumer value. They identify different courses among customer value research, such as the one-dimensional and multidimensional approach. In the one-dimensional approach, customer value is perceived as a single concept that is measured by self-reported items. In this approach to customer value, authors identify several courses: price-based studies (Monroe's research stream), means-end theory (Zeithaml's approach) and a mixture of researches. Researchers applying a multidimensional approach explore customer value as several interrelated attributes. Research practices that characterize this approach are customer value hierarchy, utilitarian and hedonic value. In addition, some of these practices include several different research courses.

Although **customer value** is researched from different **view-points**, most of the research deals with the difference between customers' perceived benefits and sacrifices in the pre- or post-consumption period. Ruiz, Gremler, Washburn and Cepeda Carrion (2008) explore customer value from a methodological standpoint and maintain that customer value is predominantly researched as a reflective higher-order construct. According to these authors, it is methodologically more appropriate to conceptualize it as a formative higher-order construct. All these conceptualizations and different viewpoints are important to the extent that they enable an organization to learn what value the customer is seeking (Ravald & Grönroos, 1996). Consequently, the organization can deliver the appropriate value-providing

benefits to its target customers. This is possible with the thorough understanding of the customer's needs and the activities which constitute the customer's value chain.

According to Barnes (2003), we can differentiate between functional and emotional ways of creating value for customers. Functional value is related to an organization's ability to be convenient, accessible, easy to use, and to its ability to save the customer time and money. On the other hand, the emotional way of creating value deals with the interaction of the organization and its employees with the customer, and the extent to which they make him or her feel important, valued or special. Therefore, the organization has to influence the cognitive and emotional components of customer value (Sánchez-García, Molinertena, Callarisa-Fiol and Rodríguez-Artola, 2007). The organization can use different strategies to exert influence of these components. Zeithaml (1988) proposes the following strategies for achieving customer value: positively influencing high-level abstractions, such as personal values; adapting intrinsic and extrinsic product/service attributes; providing an adequate level of quality; reducing perceived sacrifice; and lowering monetary and non-monetary costs. As customer value includes benefits and sacrifice, it can be augmented by increasing the benefits the customer receives, for example, by adding a feature to the core product, and by reducing the sacrifice for obtaining a product/service, such as indirect and psychological costs that the supplier can influence (Ravald & Grönroos, 1996). In the end, customers must believe that the benefits they will receive are appropriate to the sacrifice they have to make; otherwise the buying process will not take place (Jones, Mak & Sim, 2007).

Customer perceived value is sometimes mistakenly used instead of customer satisfaction. Sweeney and Soutar (2001) argue that customer-perceived value can occur at various stages of the purchase process, while satisfaction occurs only at the post-purchase and post-evaluation stage. Similarly, Goodwin and Ball (1999) assert that customer perception of value is the customer's primary factor of decision. Therefore, no satisfaction is included in customer decision-making. Conversely, Woodall (2003) differentiates among temporal types of customer value, such as ex-ante, transaction, ex-post and disposal customer value. Hence, in Woodall's classification, customer satisfaction is exempt.

Authors have researched different **influences on perceived customer value**. Woodall (2003) argues that customer, market, product and consumption factors influence customer value perception. Others (Pisnik Korda & Milfelner, 2009; Snoj, Pisnik Korda & Mumel, 2004; Parasuraman & Grewal, 2000; Jones, Mak & Sim, 2007; Eklöf & Westlund, 2002) assert that perceived product/service quality and/or perceived price influence customer value. Some researchers include, in their research, image (Chitty, Ward & Chua, 2007; Andreassen & Lindestad, 1998a; Lai, Griffin & Babin, 2009), perceived equity (Hellier, Geursen, Carr, & Rickard, 2003), efficiency, expressed as the overall balance of benefits versus costs, such as time, money and effort, and excellence in quality (Sánchez-Fernández & Iniesta-Bonillo, 2009), human quality, that is, employees (O'Loughlin & Coenders, 2004; Martensen, Grønholdt & Kristensen, 2000) or information sharing and supplier flexibility (Hansen, Samuelsen & Silseth, 2008) as antecedents of customer value.

On the other hand, when researching **consequences of customer value**, authors have mainly researched customer satisfaction (Pisnik Korda & Milfelner, 2009; Ruiz et al., 2008; Gounaris, Tzempelikos & Chatzipanagiotou, 2007; Sweeney & Soutar, 2001; Perin, Sapaio & Brei, 2006; Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994; Fornell, Johnson, Andreson, Jeasung & Bryant, 1996; Andreassen & Lindestad, 1998a; Lai, Griffin & Babin, 2009; Hellier et al., 2003) and/or customer loyalty (Parasuraman & Grewal, 2000; Clark & Maher, 2007; Chitty, Ward & Chua, 2007; Johnson, Herman & Huber, 2006). Other consequences, such as relationship quality (Huntley, 2006) or trust and commitment (Sánchez-García et al., 2007), have received minor attention.

#### 1.1.2.5 Focusing on long-term relationships

Value is an important ingredient in long-term relationships. So, if customers are to value positively a certain relationship, they must recognize commitment from both involved parties in a relationship (Ravald & Grönroos, 1996). As a consequence, customers shift focus from evaluating a single transaction versus evaluating relationship as a whole. Therefore, the perceived value of an organization's offering is related to customer value perception of a long-term relationship with an organization. Accordingly, without perceived customer value from the organization, no relationship will emerge (Barnes, 2003). In long-term relationships, trust is also important. Trust supports and encourages customer loyalty formation (Ravald & Grönroos, 1996), which is essential in superior customer relationships. Hence, trust is a necessary element in long-term relationships (Grönroos, 1994). Trust is seen as willingness to rely on an exchange partner in whom one has confidence (Moorman, Zaltman & Deshpande, 1992). This notion of trust is present in different studies (Morgan & Hunt, 1994; Garbarino & Johnson, 1999).

From the organization's perspective, knowledge about customer value and reacting accordingly by adapting the organization's offering are important elements in establishing the organization's competitiveness (Wang & Lo, 2003). Therefore, as Woodruff (1997) claims, customer value can lead to competitive advantage. But establishing relationships with customers is a prerequisite for treating customer value as an element that contributes to an organization's performance. An organization actively participates in this relationship building process with different activities. These activities that the organization undertakes are aimed at achieving closer relationships with customers (Diller, 2000). They include contact centres, respecting customer preferences, building switching barriers, etc. Diller (2000) distinguishes between supplier perspective, supplier-customer relationships and the customer's perspective in building relationships. But, nonetheless, all these perspectives result in enhancing customer loyalty.

An organization that is oriented towards providing value to customers will build long-term relationships with them. Furthermore, over time and with an organization's constant value provision, these long-term relationships can evolve into close relationships or partnerships.

But not every relationship has the predisposition to become close. So, an organization has to acknowledge the existence of different **types of relationships**. Matilla (2001) distinguishes between true relationship, encounter and pseudo relationships. Organizations should seek to establish true relationships with its customers because in these kinds of relationships customers expect to interact with the organization in the long period. Other types of relationships are more oriented towards single or repeat product/service usage but are not aimed at establishing relationships. Therefore, only true relationships bear the potential to evolve into close relationships. Others (Wright, 1985 in Price & Arnould, 1999) distinguish between levels of closeness or intimacy in a relationship, saying that close relationships between customers and organizations employees are like friendships. Furthermore, Day (2000) posits that varieties of relationships that can be established between customers and organizations can be distinguished as transactional, collaborative and value-adding exchanges. The latter represent a point in which an organization starts shifting its focus towards keeping customers and building relationships.

As noted before, value is the central element in every relationship. Relationships are built on the **promise concept** (Calonius, 1988 in Grönroos, 1994), and these promises must be kept. Making promises merely to attract customers and build relationships is not enough. Customers will defect if they realize that they are not receiving what they expected. So, keeping and realizing promises is as important as giving them. This establishes trust in an organization. Hence, the organization that is perceived as credible and reliable is the one building customer trust. Consequently, a relationship is established and has a good chance to become long-term. So, if customers do not believe and trust an organization, they are unlikely to establish a relationship with it.

According to the long-term profitably potential of a particular customer, an organization can distinguish between different **types of customers**. This criterion takes into consideration customer possibility of providing steady cash flows and profitable return on organization's investments and, in addition, it includes the potential of winning and keeping customer loyalty. In view of this criterion Reichheld (2001a) distinguishes between predictable and loyal customers, more profitable customers, and customers that find an organization's offering more valuable. The first type of customer prefers stable long-term relationships. The second type of loyal customer spends more money and requires less service. Third type perceives an organization's offering as a means of satisfaction. Therefore, an organization should strive to form its customer base on a, as much as possible, greater number of customers that belong to these customer types. Hence, these customer types boost an organization's performance and present the prerequisites for forming long-term relationships. Danaher, Conroy & McColl-Kennedy (2008) distinguish between three distinct segments of relationship-prone customers. They distinguish between relationship-keen, relationship-indifferent and relationship-adverse segments of customers. Accordingly, an organization has to take into account that not all customers belong to the relationship-keen group and that customers should be segmented and approached on different premises.

In addition, Bloemer and Odekerken-Schröder (2007) note that if an organization focuses on relationship-prone customers, consequently, it will gain a high position involving customers that are more loyal. In addition, Reinartz and Kumar (2000), in researching relationship longevity and profitability, find that long-term customers are not necessarily more profitable than short-term ones. So, an organization has to have an adequate ratio of long- and short-term profitable customers. In other words, not all customers want to establish relationships with some organization.

Different marketing activities are needed for different types of customers. With weakly relational customers, marketing efforts should focus on providing customer satisfaction, while with long-term relational customers, emphasis should be on building trust and commitment (Garbarino & Johnson, 1999). Based on exchange process characteristics, Day (2000) proposes different strategies for building and nurturing relationships, such as customer-responsive strategies, collaborating with customers, and bonding with channel partners. Also, Reynolds and Beatty (1999) argue that an organization's efforts aimed at mandating relationships with customers should differ according to different types of customers. Besides customer characteristics, an organization has to take into account what motivates customers to seek a relationship.

Hennig-Thurau, Gwinner and Gremler (2000) distinguish between core product/service and relational benefits and relational barriers that influence a customer's decision to engage in a relationship. Product/service benefits are context dependent and product/service specific. Hence, **relational benefits** are benefits that arise from a long-term relationship between the customer and the organization (Gwinner, Gremler & Bitner, 1998). In addition, Hennig-Thurau, Gwinner and Gremler (2000) distinguish between different sources of relational benefits, such as employee/organization and brand level benefits. Therefore, relational benefits related to employee/organization are social, confidence, special treatment, while relational benefits related to brand are identity-related benefits. Part of this relationship-benefits typology was based on the work of Gwinner, Gremler and Bitner (1998). They distinguish between social benefits that are related to positive emotions from a relationship, confidence benefits that are based on trust and confidence in an organization, and special treatment benefits that include economic gains from a relationship. Hennig-Thurau, Gwinner and Gremler (2000) add to the relationship-benefits typology with identity-related benefits which are related to buying a brand because of enhanced psychological gains from brand usage. Furthermore, Chang and Chen (2007) add to the typology with respect benefits that include perceived respect and a sense of value from an organization. Likewise, Polo and Sesé (2009) differentiate between economic and social benefits which customers experience as a consequence of long-term relationships. Also, Hansen (2000) contributes to the body of knowledge by distinguishing between economic, psychological, and social benefits. On the other hand, Liang and Wang (2004, 2007), influenced by Keller (1999), distinguish between functional, symbolic and experiential benefits for engaging in a relationship with an organization. Nonetheless, predominantly researched relational benefits (Gwinner, Gremler & Bitner, 1998; Hennig-Thurau, Gwinner & Gremler, 2000; Hennig-Thurau, Gwinner &

Gremler, 2002; Kim & Ok, 2009; Chang & Chen, 2007) are social, confidence and special treatment benefits.

In addition to relational benefits, **relational barriers** also influence customer motivation to engage in a relationship. These relationship barriers (Hennig-Thurau, Gwinner & Gremler, 2000) are independence, freedom of choice, variety seeking and privacy. They encompass a fear of close relationship and a need to stay independent, possible choice reduction, a need to raise the level of stimulation achieved with variety seeking, and a need for privacy and not sharing personal information or information about buying habits.

In line with the research of Hennig-Thurau, Gwinner and Gremler (2000), customers feel closer to an organization if their bonds with that organization are strong. Bonds can be positive or negative (Liljander, 2000). Liljander and Strandvik (1995 in Liljander, 2000) differentiate between legal, economic, technological, geographical and time bonds, mostly perceived as negative bonds; and knowledge, social, cultural, ideological and psychological bonds, mainly perceived as positive bonds. Negative bonds are comparable to relational barriers that impede customer engagement in a relationship. They are perceived to negatively influence a customer's decision to switch the organization even if its offer doesn't provide value. Positive bonds are conceptually similar to relationship benefits (Liljander, 2000) and, therefore, positively influence a customer's decision to engage in a relationship. In most cases, the perception of bonds as positive or negative is situation dependent. Additionally, Wang, Liang and Wu (2006) assert that relationship bonding tactics, such as financial, social and structural, add to the relationship quality perception and, consequently, enhance a customer's decision to continue a relationship with an organization.

Paul, Hennig-Thurau, Gremler, Gwinner & Wiertz (2009) provide different perspectives in customers' motivations to engage in a relationship. They add **motivational values** and service **relationship attributes** as drivers that besides relationship benefits, influence customer repeat-buying behaviour. According to these authors, relationship benefits represent knowledge about the additional advantages deriving from a relationship. Hence, at the relational benefits level, they distinguish between functional, psychological and social benefits. Motivational values are related to a customer's knowledge about what he/she wants, while relationship attributes are related to a customer's acquaintance with an organization. In addition, Liang and Wang (2004, 2007) also add product and non-product related attributes that influence relational benefits. Therefore, a customer's decision to engage in a relationship is not only under the influence of relationship benefits, because motivational values, as well as relationship and product attributes, also contribute to the decision.

After establishing a relationship with customers, an organization has to undertake different activities to keep customers for longer period of time. These activities have to encourage **relationship strength** formation. As a consequence, a stronger relationship will encourage a customer's buying intentions and will induce extensive buying of organization products/services (De Cannière, De Pelsmacker & Geuens, 2009). The degree of partner

bonding, as well as resistance to environmental influences, is important in defining relationship strength (Barnes, 1997; Dagger, Danaher & Gibbs, 2009; Shi, Shi, Chan & Wang, 2009). Therefore, an organization has to consider different influences that reinforce relationship strength. Several drivers of relationship strength are commitment, duration, frequency, satisfaction, trust, benefits/rewards derived from the service worker, perceived risk, a customer's interpersonal orientation and an employee's customer orientation (Dagger, Danaher & Gibbs, 2009; Bove & Johnson, 2000). Hence, an organization has to consider these drivers when trying to reinforce relationship strength. The stronger the relationship strength, the closer customers feel to an organization and, therefore, are more prone to engage in a relationship with that organization. Furthermore, Donaldson and O'Toole (2000), based on relational strength, its belief and action component, distinguish between bilateral, recurrent, hierarchical and discrete types of relationships. They state that organizations have to take into account that different relationship strength types need to be approached differently. This presumes different approaches to managing relationships, that is, different managerial styles and associated organizational cultures.

Another component that influences a customer's decision to engage in a relationship is the **employees**. According to the relationship marketing triangle (Liljander, 2000), an important burden in building relationships lies on the employees, in addition to customers and organizations. Employees directly influence customers in their relationships with an organization. Employee satisfaction, as well as a sense of commitment to the organization, is mirrored in their relationships with customers (Reichheld, 2001). Similarly, Grönroos (1994) notice that they have to be committed prepared and informed to be part-time marketers. As well, employees are responsible in creating customer value (Judd, 2003). Therefore, an organization has to care about its employees as it cares about its customers, because they inherently are elements of the organization that are important in establishing relationships with customers.

A relationship is successful if **relationship quality** is good (Athanasopoulou, 2009). Therefore, an organization also has to care about relationship quality. Relationship quality is derived from the adequacy of a relationship to meet and fulfil customer needs and to provide relational benefits (Hennig-Thurau & Klee, 1997; Macintosh, 2007). Also, it is related to reliability and confidence in an organization to provide satisfaction in relationships with customers (Crosby, Evans & Cowles, 1990). Moreover, Gummesson (1987 in Sánchez-García et al., 2007) relates it to the quality of the interaction between customers and organizations. Hence, when a relationship is beneficial for both customer and the organization, relationship quality is present.

Relationship quality can be measured with different measures. Athanasopoulou (2009) points out that the predominantly used measures are trust, commitment and satisfaction. Moreover, according to this author, if an organization wants to influence relationship quality, it can take into account several antecedents, such as the characteristics of the relationship constituents (customer and organization), relationship attributes, offer characteristics and the role of the

environment. However, relationship quality incorporates cognitive, as well as affective, components (Sánchez-García et al., 2007). Similarly, Vesel and Žabkar (2010a) assert that relationship quality can be explored as a higher-order construct consisting of trust/satisfaction, emotional commitment and calculative commitment as its first-order constructs. Hence, customers in relationships are not driven only by rational elements, but their emotions count, as well. Therefore, in managing customer relationships an organization also has to take that into account.

Athanasopoulou (2009) offers a different perspective, emphasizing that relationship quality influences business/service/channel performance, relational benefits and satisfaction related variables. Also, customer loyalty is enhanced (Vesel & Žabkar, 2010b). Therefore, by improving relationship quality, an organization can influence these outcomes. But for relationship quality to evolve, customer relationship should be effectively managed. Hennig-Thurau (2000) adds that effective relationship management is possible by investing in enhancing customer skills, that is, in increasing customer knowledge, physical skills and social skills needed for quality post-purchase interaction.

#### 1.1.2.6 Managing customer relationships

To effectively manage relationships with customers, organizations implement **customer relationship management (CRM)**. This approach to managing customer relationships focuses on customer retention and relationship development. CRM represents an interaction between employees, organizational processes and technology, aimed at understanding an organization's customers (Chen & Popovich, 2003). Similarly, Lindgreen (2004) asserts that CRM can be viewed as a part of relationship marketing that is concerned with managing customer relationships. Therefore, the most important aspect of CRM is managing long-term relationships between customers and the organization (Law, Lau & Wong, 2003), as well as the dual, for customers and for organizations, value creation process (Boulding, Staelin, Ehret & Johnston, 2005). Hence, CRM is perceived as an organization's strategic commitment towards nurturing long-term relationships aimed at providing and enhancing value for both included parties, customers and the organization.

CRM implementation helps organizations to more effectively target customers (Ryals, 2005). As a consequence, an organization can distinguish between relational and transactional customers (Bull, 2003), develop relationships with customers that are prone to this kind of engagement (Park & Kim 2003) and help create new, as well as to develop and maintain, relationships with current relationship-prone customers (Chen & Popovich, 2003). According to Park and Kim (2003), the CRM implementation framework is dynamic and consists of the acquisition, retention and expansion stage. In every stage, different strategies for approaching customers, as well as different sources of information, are identified and adapted to different stages in relationship management. Hence, customers are drivers of relationship management strategy. Identifying the right type of customers, the ones who want to establish a relationship with an organization, is essential. Treating all customers in the same manner is not



economically justified. Therefore, customer relationship management helps an organization to effectively manage its resources, to establish and develop relationships with customers and to obtain value from relationships.

An organization implements the relationship-marketing paradigm through the following actions: by setting customers in the centre of its business, by treating them as partners, and by establishing and developing relationships with them, as well as with suppliers and other stakeholders. Central to this approach is value exchange. Customers and organizations jointly co-create value. Furthermore, it is important to note that value is no longer embedded in products/services but is created in-use, that is, when a customer uses a certain product/service. Therefore, an organization does not give value to customers; moreover, value is suggested to them. It is important that an organization provides superior value to its customers. Consequently, when an organization implements a value co-creation approach, it starts treating its customers like assets. In this process, their lifetime value and equity is assessed and used to help the organization segment and target the most valuable customers. On the other hand, it is important for organizations to realize what customers perceive as valuable and to realize what influences an organization's value perception. Furthermore, for successful value management, it is important for an organization to establish long-term relationships with customers. But not all customers are prone to engage in a relationship with an organization. Therefore, an organization has to identify the right customers that are prone to establish relationships. Also, it is important to know what benefits customers perceive they are getting from a relationship with an organization. These benefits will consequently influence relationship strength and can increase relationship quality. Hence, an organization has to manage relationships with its customers to receive value from them.

A relationship-oriented organization needs to have a customer-oriented culture. Only with the right employees and dedicated management, as well as with products/services adapted to customer needs, will an organization be able to establish quality relationships with its customers. As the relationships of an organization are its most valuable assets, it is important to establish value adding relationships. But, what is so stunning in relationships with customers? It is the notion that they, if properly managed, can lead to customer loyalty and, consequently, yield positive outcomes for an organization's business.

## **1.2 Loyalty based management**

Essential in relationship marketing are the relations (Ravald & Grönroos, 1996). Moreover, according to Hennig-Thurau (2004), target variables in relationship marketing are customer retention, customer loyalty and repeat purchasing behaviour. To achieve this, an organization has to build relationships with its customers. Establishing relationships with customers is a starting point for enhanced value exchange between customers and an organization. But in this process, it is important to adequately select customers. Therefore, an organization has to distinguish between relationship-prone customers and others that are not. With the relationship-prone customer group, an organization can, and usually will, establish long-term relationships. By establishing and developing relationships, an organization can increase

relationship profitability. This is possible by increasing relationship revenues or lowering relationship costs (Storbacka, Strandvik & Grönroos, 1994). But long-term relationships are not *per se* profitable, as Reinartz and Kumar (2000) assert. Therefore, to have profitable relationships an organization has to encourage customer loyalty among its customer base. It is well accepted that customer loyalty is related to customer profitability (Reichheld & Sasser, 1990; Heskett et al., 1994; Keiningham, Cooil, Aksoy, Andreassen & Weiner, 2007; Zeithaml, Berry & Parasuraman, 1996; Diller, 2000).

### 1.2.1 Defining customer loyalty

Customer loyalty is conceptualized in a variety of ways. Some authors conceptualize customer loyalty as consisting of one viewpoint, while others include several standpoints in their conceptualizations. Perspectives that are included in customer loyalty conceptualizations are presented in the following table (see Table 1).

Table 1. Customer Loyalty Conceptualizations

Customer loyalty conceptualizations	Authors
Attitude towards an organization	Dick & Basu (1994); Diller (2000); Bloemer & Odekerken-Schröder (2007); Larivière (2008)
Repeated buying of an organization's products/services	Dick & Basu (1994); Griffin (1997); Oliver (1999); Meyer & Blümelhuber (2000); Gitomer (2001); Hill & Alexander (2003); Bloemer & Odekerken-Schröder (2007); Larivière (2008)
Buying more from one organization	Zeithaml, Berry & Parasuraman (1996)
Purchasing across an organization's product/service lines (cross-buying)	Griffin (1997); Meyer & Blümelhuber (2000); Hill & Alexander (2003)
Higher price tolerance	Zeithaml, Berry & Parasuraman (1996); Narayandas (1998); Hill & Alexander (2003); Fullerton (2003); Zhang & Bloemer (2008)
Referrals	Zeithaml, Berry & Parasuraman (1996); Griffin (1997); Narayandas (1998); Andreassen & Lindestad (1998b); Meyer & Blümelhuber (2000); Reichheld (2001); Hill & Alexander (2003); Fullerton (2003); Zhang & Bloemer (2008)
Repurchase intentions	Zeithaml, Berry & Parasuraman (1996); Narayandas (1998); Andreassen & Lindestad (1998b); Oliver (1999); Diller (2000); Fullerton (2003); Brink (2004); Jones, Reynolds, Mothersbaugh & Beatty (2007); Lacey & Morgan (2007); Zhang & Bloemer (2008)
Immunity towards competitors' offers	Narayandas (1998); Griffin (1997); Oliver (1999); Gitomer (2001); Nguyen & Leblanc (2001)
First choice among alternatives	Zeithaml, Berry & Parasuraman (1996); Johnson, Hermann & Huber (2006)
Actions focused on creating and preserving relationships	Brink (2004)
Delivering superior value	Reichheld (1993, 2001)

Others observe customer loyalty solely on repeated buying intentions (Ngobo, 1999; Narayandas, 1998), repeated word-of-mouth (Reichheld, 2001) or intentions to continue the relationship in the future (Duffy, 1998; Goodwin & Ball, 1999; Singh & Sirdeshmukh, 2000). These different views on what customer loyalty represents contribute to the notion that customer loyalty is a complex phenomenon. Furthermore, it is researched from different perspectives and a plethora of its different manifestations is observed.

#### 1.2.1.1 Reconsidering the customer loyalty concept

Research in customer loyalty emerges from the idea that customers and organizations through their continuous and long-term contacts develop something like a relationship. Therefore, customer loyalty research considers the interaction between a customer and an organization as being a long-term relationship. It builds on the psychological literature about interpersonal relationships (Jones & Taylor, 2007). Hence, in elaborating customer loyalty, pro-relationships outcomes and interpersonal relationship literature is used (Fournier, 1998).

Authors often use various **conceptualizations** in exploring customer loyalty. Some employ commitment (Hill & Alexander, 2003), customer satisfaction (Jones & Sasser, 1995; Oliver, 1999), behavioural intentions (Zeithaml, Berry & Parasuraman, 1996), future intentions (Garbarino & Johnson, 1999) or customer retention (Narayandas, 1998). Hence, when authors research customer loyalty they sometimes use these concepts instead of the customer loyalty concept.

Hill and Alexander (2003) argue that commitment is important for developing long-term customers. An organization should focus on customer commitment to maximize customer retention. But commitment by itself is just not enough for developing long-term relationships. Commitment is represented through desire to maintain a relationship (Moorman, Zaltman & Deshpande, 1992) and discouragement to switch to another partner, due to liking and identification, instrumental reasons or felt obligations (Čater & Žabkar, 2009). It is seen as an important element for developing long-term relationships (Fullerton, 2003; Morgan & Hunt, 1994). When commitment is considered, emphasis is placed on the desire and willingness to continue the relationship. This implies that customers positively perceive benefits they receive from an organization and that they want to prolong their relationship with the organization. Furthermore, in addition to a continuous desire to maintain a relationship, the customer loyalty concept also includes behaviour (Dick and Basu, 1994). This behaviour is expressed as repeat patronage of an organization's products/services. Hence, the customer loyalty concept is a broader concept than commitment since it includes desire and action, that is, behaviour.

Furthermore, customer satisfaction is sometimes used instead of customer loyalty. Some authors (Jones & Sasser, 1995; Fornell, 1992, Reichheld, 2001a; Heskett et al., 1994) underline that only completely satisfied customers are loyal. Customer satisfaction and loyalty are related as Oliver (1999) asserts. But it is not adequate to use them simultaneously.

Customer satisfaction is based on comparing and evaluating different elements, such as product/service perception and post-consumption experience (Oliver, 1980) or a chosen product/service and its alternatives (Shiv & Huber, 2000). Positive disconfirmation of expectations establishes customer satisfaction. This will positively influence a customer's decision to stay and continue doing business with an organization. Hence, a long-term relationship will develop. However, also other elements, such as product/service quality (Zeithaml, Berry & Parasuraman, 1996), trust (Aydin & Özer, 2005) or commitment (Garbarino & Johnson, 1999) can enhance customer loyalty formation. Therefore, customer satisfaction is seen as an important element that can establish and enhance customer loyalty. But, it should not be considered as being the same as customer loyalty.

In developing customer loyalty some authors conceptualize customer loyalty solely as behavioural (Zeithaml, Berry & Parasuraman, 1996) or future intentions (Garbarino & Johnson, 1999). If interaction with an organization is up to their expectations, customers do exhibit behavioural intentions to continue doing business. Repeated buying contributes to establishing long-term relationships. But, customers can buy an organization's products/services out of habit, due to switching barriers or simply because other alternatives are not available. Hence, the existence of behavioural intentions cannot represent customer loyalty. Moreover, behavioural intentions can be considered as an element that establishes and develops customer loyalty (Dick & Basu, 1994). Customer loyalty is present through behavioural intentions to continue doing business with an organization. But without attachment and commitment, that is, other customer loyalty elements, a true or partner relationship cannot develop (Johnson, Garbarino & Sivadas, 2006). Thus, when authors exclude the feeling of attachment or a desire to continue doing business with an organization in their conceptualization of customer loyalty, they will not explore full customer loyalty potential. Therefore, behavioural or future intentions are not adequate to represent the customer loyalty concept.

Sometimes customer retention represents customer loyalty (Narayandas, 1998). Retention represents customer behaviour that is oriented towards continuing doing business with a certain organization. It is the probability of a customer being "alive" or of repeat buying from a firm (Gupta et al., 2006). According to Larivière (2008), it consists of additional purchase and partial churn. Hence, it is focused only on behavioural outcomes of being loyal. Consequently, it can be observed that customer retention is embedded in customer loyalty as its integral part. Customer loyalty comprises not only behavioural consequences, but also other elements that contribute to establishing and enhancing customer loyalty. Therefore, using customer retention is not sufficient to cover the multifaceted nature of customer loyalty.

Recent research, however, predominantly uses the customer loyalty concept. This has been partly influenced by the notion that customer loyalty is not unambiguously conceptualized. Dick and Basu (1994, p. 100) offer a customer loyalty conceptualization as "the strength of the relationship between an individual's relative attitude and repeat patronage". Furthermore, Oliver (1997 in Oliver, 1999, p. 34) conceptualizes customer loyalty as "customers' deeply

held commitment to continue using products/services consistently in the future, despite influences having the potential to cause switching behaviour”. These conceptualizations are found to be among the most influential ones and are used by the majority of researchers.

Different **types of customer loyalty** are recognized. Dick and Basu (1994), Griffin (1997), Gounaris and Stathakopoulos (2004), Gounaris, Tzempelikos, and Chatzipanagiotou (2007), Bove and Johnson (2000) and Baloglu (2002), when taking into account relative attitude and repeat patronage, differentiate between premium loyalty, latent/covetous loyalty, spurious/inertia loyalty and no-loyalty. These loyalty types are presented in Figure 2.

*Figure 2. Types of Customer Loyalty*

	High repeat patronage	Low repeat patronage
High relative attitude	Premium loyalty	Latent/covetous loyalty
Low relative attitude	Spurious/inertia loyalty	No loyalty

Source: A.S. Dick & K. Basu, *Customer loyalty: Toward an integrated conceptual framework*, 1994, p.101; J. Griffin; *Customer loyalty: how to earn it, how to keep it*, 1997, p.23

The absence of loyalty characterizes the no-loyalty type. Some customers will never develop loyalty towards certain products/services. This has to do with recently introduced products/services or the inability of some organizations to communicate distinct product/service advantages. In the latent-loyalty type, subjective norms or situational effects determine repeat purchase. Buying some product/service out of a habit, or based on familiarity or deals, characterizes the spurious/inertia loyalty type. Customers can also experience this kind of loyalty with frequently bought products. The most wanted is the premium loyalty type. In this type of loyalty, customers perceive differences between alternative products/services and most frequently patronize only one.

Similarly, Bartosik-Purgat (2007) distinguishes between customer loyalty based on truthfulness and on the divisibility criterion. Hence, she differentiates genuine and ostensible loyalty dealing with personal attachment to buying the same product/service again (truthfulness criterion) from divisible and indivisible loyalty when taking multiple purchases into account (divisibility criterion). Also, Brown (1952 in Oppermann, 2000) asserts that there exists undivided, divided, unstable and irregular loyalty. Hence, every customer loyalty typology is based on the assumption that customers consistently buy the same product/service.

Others (Yim & Kannan, 1999) distinguish between hard-core loyalty, experienced by customers that almost exclusively buy one product/service, and reinforcing loyalty, experienced by customers who switch among alternatives but predominantly buy one or more product alternatives. Furthermore, Hill and Alexander (2003) distinguish between monopoly, cost of change, incentivised, habitual and committed loyalty. These loyalties characterize different degrees of allegiance, ranging from virtually no alternatives to choose from to hard-committed loyalty. Hence, no matter whether loyalty is identified as true, premium or hard, an

organization wants to establish among its customers loyalty that is found at the higher end of the loyalty continuum.

Authors differently categorize customer loyalty. But, they all point out that customer loyalty is not a static concept. Moreover, customer loyalty is perceived and researched in a continuum. It is developing from its low levels up to ultimate loyalty, that is, loyalty that is experienced at the higher end of a loyalty continuum. It has to be acknowledged that organizations should aim to develop ultimate customer loyalty among its customers.

#### 1.2.1.2 Customer loyalty as a process

**Customer loyalty development** (Brink, 2004) is grounded on an organization's efforts to convert present customers into loyal ones. In this process, the organization has to research customers, recognize their characteristics and define loyal customer segments. Besides its long-term customers, an organization also has to focus on acquired and prospect customers. Consequently, the organization establishes relationships with them. An organization has to balance its efforts in relationship-building activities between customers and prospects. Reinartz, Thomas and Kumar (2005) note that if the organization initiates contact, the effectiveness of interpersonal and interactive communication strategies aimed at building relationships is greater. Furthermore, strategy that maximizes long-term profitability is aimed at establishing an adequate balance between acquisition rates and prolonging relationship duration.

In order to acquire customers that have a propensity to be loyal, an organization has to segment its prospects and decide what segment it is going to focus on (Reichheld, 1996a; Meyer & Blümelhuber, 2000). With **customer segmentation** and by focusing on customers with loyalty predispositions, an organization is focusing on customer segments where it can provide satisfaction, and build enthusiasm and commitment with its products/services (Meyer & Blümelhuber, 2000). Customer loyalty is built by (Wilson, 1999) overwhelming customers' expectations (Meyer & Blümelhuber, 2000), developing and building close relationships with them, taking care about future interactions (Brink, 2004), rewarding loyalty and taking care about loyalty development.

Authors emphasize that customers should be segmented according to the type of customer loyalty they experience. Organizations should adjust their strategies oriented towards enhancing customer loyalty according to loyalty level customers experience. Or, in other words, organizations should adapt strategies according to the loyalty segment to which customers belong. Therefore, an organization that focuses only on customers that experience a high level of loyalty neglects other segments. Hence, it neglects customers that have the potential to enhance and reinforce their relationship with the organization. Organizations should differentiate among segments of loyal customers and apply diverse strategies for enhancing relationships. But they should not focus narrowly on only one segment of loyal customers because customer loyalty is a process, not a state. This notion is sometimes

forgotten when segmentation and classification is applied. So, organizations should focus on relationship-prone customers, no matter to what customer loyalty segment they belong, and develop their loyalty.

For a long time, customer satisfaction was considered a necessary **condition for customer loyalty** (Oliver, 1999). Also, a plethora of research is devoted to the link between customer satisfaction and customer loyalty. Moreover, it is well accepted that while loyal customers are mostly satisfied with a certain product/service, customer satisfaction does not simply translate into loyalty (Bennett & Rundle-Thiele, 2004). Even so, some authors (Fornell, 1992; Fornell et al., 1996; Diller, 2000; Hill & Alexander, 2003) assert that without customer satisfaction no loyalty will arise. Reichheld (2001) adds that providing superior value to customers is important in the process of building customer loyalty. According to the author, a customer's perceived superior value provides incentives that drive customer satisfaction and, ultimately, influences customer loyalty establishment. Moreover, Gitomer (2001) also affirms that an organization has to provide customers with "110 per cent satisfaction", that is, delight them and, consequently, customer loyalty will appear. Importantly, Jones and Sasser (1995) note that only completely satisfied customers or delighted customers have the highest predispositions for experiencing customer loyalty.

Customer satisfaction and perception of superior value are important for customer loyalty. Without their presence, an organization is hard to achieve higher levels of customer loyalty. Their absence, in most of the cases, signifies that customer loyalty is perceived as a habitual reaction. This is mainly because of high switching barriers or no possible alternatives.

Customer loyalty does not emerge on its own. An organization has to invest in relationships to establish and build customer loyalty. So, attaining premium customer loyalty is a process. In this process, it is inevitable to distinguish between different levels of customer loyalty, because not all customers experience the same level of loyalty with an organization. According to Christopher, Payne & Ballantyne (1991 in White & Schneider, 2000), an organization has to take care of its customers to turn them into regular clients, fierce supporters and loud advocates. Others (Griffin, 1997; Hill & Alexander, 2003; Brink, 2004) have profoundly extended this framework by differentiating between more stages in the loyalty ladder. They identify subsequent customer loyalty levels: suspect, prospect, disqualified prospect, first time customer, repeat customer, client, advocate, and partner. These degrees represent different levels of customer loyalty, ranging from merely interested customers to customers that feel like they are organizations' partners. Partners perceive a relationship with an organization as mutually beneficial. An organization has to invest time and efforts in developing partner relationships with its customers, but it is worthwhile.

Similarly, Jones and Sasser (1995) and Seth, Momaya & Gupta (2005), taking into account customer satisfaction and loyalty distinguish between four **types of customers** presented in Figure 3.

Figure 3. Types of Customers

	High customer satisfaction	Medium to low customer satisfaction
High customer loyalty	Loyalist/apostle/true loyalists	Hostage/trapped
Medium to low customer loyalty	Mercenary/purchased loyalists	Defector/terrorist/wanderers

Source: T.O. Jones & W.E. Sasser, Jr., *Why satisfied customers defect*, 1995, p.97; A. Seth, K. Momaya & H.M. Gupta, *An exploratory investigation of customer loyalty and retention in cellular mobile communication*, 2005, p.180

In light of the presented framework:

- ❖ loyalists/apostles or true loyalists are satisfied and loyal customers. They bring most of the value to the organization and represent the basis that each organization should strive to have in its customer portfolio.
- ❖ hostages/trapped are customers who are loyal, but dissatisfied. They perceive an organization's offer as low value but do not have the possibility to switch.
- ❖ mercenary or purchased loyalists are ones who are satisfied but disloyal customers. They exhibit low loyalty and, therefore, even if they are satisfied it is often expensive to acquire them, and they quickly leave the organization.
- ❖ defectors/terrorists or wanderers are customers who are dissatisfied and disloyal and with whom an organization has to avoid establishing a relationship.

Applying this framework helps organizations to adapt retention strategies. Furthermore, it gives clear guidance on what groups of customers to focus in order to positively influence the value exchange process.

Likewise, Kuusik (2007) differentiates loyal customers, in accordance with future behaviour levels, as committed or emotionally loyal customers, behaviourally loyal customers, ambivalent or dubious customers, disloyal reducers and leavers. Uncles, Dowling and Hammond (2003) profile loyal customers in relation to a brand as customer brand commitment (CBC), customer brand buying (CBB) and customer brand acceptance (CBA). These represent stages in evolving customer loyalty. Hence, customer loyalty is not a static concept; it evolves over time. This is not necessarily related tightly with relationship longevity, but it has to do with the buying habits of customers and their emotional attachment to or preference for a certain organization.

Jones and Sasser (1995), as well as Seth, Momaya and Gupta (2005), augment the idea of different levels of customer loyalty proposed by Dick and Basu (1994) and Griffin (1997). This idea is augmented by distinguishing customers according to the loyalty and satisfaction level they experience. As a consequence, customers are grouped into different segments. Recognizing different segments helps organizations to adapt their loyalty enhancement activities. Moreover, segments of loyal customer indicate the presence of different loyalty levels. Therefore, it can be concluded that customer loyalty is a continuous process. This process evolves over time, aiming to achieve high loyalty level.



In a relationship continuum, customers experience different levels of loyalty. According to the level of customer loyalty they are currently experiencing, different influences shape their behaviour. According to Johnson, Herman & Huber (2006), in the early stages of a relationship, customer loyalty is heavily under perceived customer value influence. As the relationship matures, attitudes towards the brand and the relationship have more influence on customer loyalty. Furthermore, Kuusik (2007) asserts that an organization has to treat its customers differently according to their loyalty level. Hence, in the early relationship stages, the main influence on customer loyalty is derived from overall satisfaction and the importance of products/services. As relationships grow longer, trustworthiness and image have a major influence in driving customer loyalty. Similarly, Bolton (1998) argues that an organization has to concentrate on providing satisfaction in the early stages of a relationship. According to the author, at the beginning of the relationship, customers are hyper sensitive to the lack of satisfaction and most likely to terminate the relationship. White and Schneider (2000) explored whether elements of service quality differently influence customer loyalty according to the stage in the loyalty ladder. Their research reveals that in the early stages of customer loyalty formation, resource quality and the availability of products/services are the most important to customers. On higher levels of the loyalty ladder, friendly and helping employees become more important to customers.

Organizations have to take into account that different levels of customer loyalty are under different influences. This adds to the notion that, according to the loyalty level customers are experiencing, organizations should adapt their loyalty enhancing activities. Subtle adaptation of enhancement activities is needed to utilize influences that can boost customer loyalty to a higher level. Otherwise, these activities will not have such impact on enhancing customer loyalty.

#### 1.2.1.3 Customer loyalty as a multidimensional concept

Others, such as Oliver (1999), McMullan and Gilmore (2003), Evanschitzky and Wunderlich (2006), Omar and Sawmong (2007) and Han, Kwortnik and Wang (2008), distinguish between **four** different **loyalty phases**. According to them, the stages in developing customer loyalty are cognitive, affective, conative and action loyalty. Cognitive loyalty is the first phase characterized by loyalty to product/service information, such as different product/service characteristics or price. It is based on recent experience and information about a product/service. If no satisfaction is experienced, customer loyalty will not evolve into the next, affective phase. The affective phase is characterized by a positive attitude towards a product/service based on cumulatively satisfying customer needs. Customers in this phase are still prone to switching because in this phase commitment is still at a shallow level. The third phase, conative customer loyalty, is characterized by the intention to rebuy a product/service. Customer loyalty in this phase is influenced by repeated episodes of positive effect towards a product/service. In the action loyalty phase, motivation is accompanied by intention to buy or use a product/service consistently in the future and to overcome competition influences.

Every phase is influenced by possible switching intention, but this intention slowly diminishes as customer loyalty evolves from cognitive to action loyalty.

Evanschitzky and Wunderlich (2006) offer further insight into factors that moderate customer loyalty development. Personal characteristics, such as age, education and income, as well as expertise, and price orientation, influence the early stages of customer loyalty formation. When customer loyalty is established, critical incident recovery and loyalty card membership influence its maintenance. Others have researched the four phases of customer loyalty in different contexts: Kwon, Trail and Anderson (2005) in sport spectatorship; Anić and Radas (2006) and Omar and Sawmong (2007) in a retail context; Back and Parks (2003) in the lodging industry; and Han, Kwortnik and Wang (2008) in a service context. These authors have researched different influences, such as customer satisfaction, personal characteristics, service quality, perceived value and fairness, commercial friendship, points of attachment, as well as trust and commitment, on diverse phases of customer loyalty. Therefore, if an organization wants to build customer loyalty effectively, it has to bear in mind that there exist some influences that may help or hinder their attempts.

This group of authors, by acknowledging four phases of customer loyalty, suggests a framework for loyalty continuum. So, the subsequent phase signifies that customer loyalty is enhanced. These four phases represent a sequential approach to customer loyalty. But it is assumed that these different phases of customer loyalty can be experienced simultaneously. Customers can, at the same time, be aware of cognitive, affective, conative and action loyalty. They can experience loyalty based on product/service characteristics, feel affection to the product/service, have the intention to rebuy and to use product/service in the future. So, it is supposed that these loyalty phases can be experienced at the same time. Customer loyalty can have different dimensions, but it is not appropriate to incorporate time dependence in them. This notion that one loyalty type is substituted with other is assumed to be the main drawback of this sequential approach.

Approaching customer loyalty from four phases of customer loyalty development, with Oliver (1999) as its most influential author, represents one point of view in researching customer loyalty. Authors, such as Evanschitzky and Wunderlich (2006), Han, Kwortnik and Wang (2008), McMullan and Gilmore (2003) and Omar and Sawmong (2007), represent one stream in customer loyalty research. It can be noticed that they approach customer loyalty from a multidimensional point of view. Another research stream that approaches customer loyalty from a multidimensional standpoint consists of researchers who build on the work of Dick and Basu (1994). Hence, Chiou and Droge (2006), Chitty, Ward and Chua (2007), DeWitt, Nguyen and Marshall (2008) and Raimondo, Miceli and Costabile (2008) explore **customer loyalty** as consisting of two different **components**. In their work they emphasise attitudinal and behavioural components as constituent parts of customer loyalty.

Additionally, some authors (de Ruyter, Wetzels & Bloemer, 1998; Bloemer, de Ruyter & Wetzels, 1999; Jones & Taylor, 2007) add to the research framework a third dimension

indicated as cognitive loyalty. Moreover, Rundle-Thiele (2005a) appends the existing framework of attitudinal and behavioural loyalty with new dimensions, such as citizenship behaviour, complaints (to external agencies, to friends and family, direct to seller), propensity to be loyal, and resistance to competitive offers.

Customer future behaviour in which customers do not change their buying habits and intention is related to the **behavioural component of customer loyalty**. When researching this customer loyalty component, authors use different proxies to explore the phenomenon. They often do not address it with behavioural loyalty expressions, but instead uses phrases, such as purchase or repurchase or even future intentions (Dick & Basu, 1994; Pritchard, Harvitz & Howard, 1999; Jones & Taylor, 2007; Hellier et al., 2003; Johnson, Hermann & Huber, 2006; Berry & Parasuraman, 1997; Taylor & Baker, 1994; Jones, Mothersbaugh & Beatty, 2000; Keh & Xie, 2009; Bloemer & Odekerken-Schröder, 2007; Garbarino & Johnson, 1999; Cronin, Brady & Hult, 2000). Hence, customer buying intentions, expressed as present or future behaviour, are in the centre of behavioural loyalty.

Specific behaviour that is related to customer loyalty encompasses different activities. Loyal customers have the intention to buy or use an organization's product/service more often or even to buy or use more of the organization's different products/services (Dewitt, Nguyen & Marshal, 2008; Zhang & Bloemer, 2008; Seiders, Voss, Grewal & Godfrey, 2005; Berry & Parasuraman, 1997; Keh & Xie, 2009; Bloemer & Odekerken-Schröder, 2007; Garbarino & Johnson, 1999). Hence, they buy across an organization's product/service assortment and spend a greater share of their financial resources in the one organization. Additionally, behaviourally loyal customers experience a higher proportion of purchases in one of the organization's product/service categories (Pritchard, Harvitz & Howard, 1999; Chiou & Droge, 2006; Li & Petrick, 2008; Wulf & Odekerken-Schröder, 2003). In non-profit organizations, customers' behavioural loyalty is manifested through donating time or money (Garbarino & Johnson, 1999). Consequently, an organization aiming to enhance customer loyalty will have to improve the proportion of customers' spending, as well as their intentions to buy more or use more different products/services from one organization.

When customers have a certain product/service in mind, they will try to use it the more regularly they can. In durables, this is a very important notion, because customers buy less often in this product category and need to use more monetary value to obtain such a product. Other product/services categories are also under the mind-awareness influence. Therefore, making an organization's products/services the customer's first choice in bringing buying decisions is quite important. A product/service that has the characteristic of being a customer's first choice among available alternatives signifies that the customers are experiencing loyalty to that product/service (Zhang & Bloemer, 2008; Matilla, 2006; Berry & Parasuraman, 1997; Keh & Xie, 2009; Bloemer & Odekerken-Schröder, 2007).

The behavioural element of customer loyalty is established with the regular buying of the same products/services. Even if, in the plethora of competition influences, it is harder to

establish and build loyalty, it is not elusive to think that some customers will buy an organization's products/services over and over again. Hence, a customer's intention to buy again the same organization's product/service is associated with establishing customer loyalty (Dewitt, Nguyen & Marshal, 2008; Jones & Taylor, 2007; Johnson, Hermann & Huber, 2006; Taylor & Baker, 1994; Raimondo, Miceli & Costabile, 2008; Keh & Xie, 2009; Garbarino & Johnson, 1999; Cronin, Brady & Hult, 2000; Mechinda, Serirat & Gulid, 2008). Customers will also assert that if they had to choose again between a competitive offering and the organization's offering, they would make the same choice again and buy the organization's product/services (Zhang & Bloemer, 2008; Cronin, Brady & Hult, 2000). This is related to the customers' intention to continue doing business and use the same product/service constantly in the future (Dewitt, Nguyen & Marshall, 2008). Therefore, authors acknowledge customers' intention to rebuy as an indicator of loyalty. These future intentions represent only consumer perception of what their behaviour will be. Therefore, it would be more appropriate to use some harder and more reliable measure of behavioural loyalty like share of wallet (Coil, Kenningham, Aksoy & Hsu, 2007). However, share of wallet represents quite a challenge to be measured appropriately. Therefore, most of the authors rely on customers' self expression about their future behaviour.

A loyal customer can be easily recognized in a conversation. He or she enthusiastically talks about their consumption experiences and says positive things about the organization's product/service to other customers (Matilla, 2006; Johnson, Hermann & Huber, 2006; Berry & Parasuraman, 1997). Moreover, they will encourage friends to try the organization's product/service or even to extend their buying behaviour to other products/services in the organization's offering (Matilla, 2006; Berry & Parasuraman, 1997). As a consequence, they will also spread positive word of mouth to all other prospect customers (Matilla, 2006; Johnson, Hermann & Huber, 2006; Berry & Parasuraman, 1997; Raimondo, Miceli & Costabile, 2008; Cronin, Brady & Hult, 2000). Furthermore, some authors conceptualize recommendations as an exclusive element of establishing customer loyalty, and Reichheld (2003) argues that the only true element representing customer loyalty is word of mouth. Others, such as Kenningham, Aksoy, Coil, Andreassen and Williams (2008), find that word of mouth is not superior in driving customer loyalty to repurchase intentions.

Authors (Berry & Parasuraman, 1997; Garbarino & Johnson, 1999; Dick & Basu, 1994; Matilla, 2006, Bloemer & Odekerken-Schröder, 2007; Zhang & Bloemer, 2008) focus on repeated buying or consuming the same product/service as an element that represents loyalty. This notion of customer loyalty, focused on expressed or potential consumer behaviour, is encompassed in behavioural loyalty dimension. Some authors (Taylor & Baker, 1994; Jones, Mothersbaugh & Beatty, 2000; Johnson & Grayson, 2005; Kim & Ok, 2009) acknowledge and explore only this dimension as being important in realizing if a customer is loyal. Others (Dewitt, Nguyen & Marshall, 1998; Pritchard, Harvitz & Howard, 1999; Chiou & Droge, 2006; Raimondo, Miceli & Costabile, 2008) incorporate the attitudinal component in their research, in addition to behavioural loyalty.

When an organization is aiming to establish a positive repurchase intention, it will certainly drive to establish behavioural customer loyalty. This category of customer loyalty is related to buying more often and across an organization's product/service assortment, as well as choosing the organization's product/service as first choice or recommending it to relatives, friends and other customers. But behavioural loyalty, by itself, is not enough for an organization to have. Sometimes customers can repeatedly buy some products/services even if they are not attached to them or do not prefer them (Griffin, 1997). Hence, having only behavioural customer loyalty as an organizational goal is not sufficient for achieving true loyalty.

If lacking a sense of attachment or commitment to some product/service, customers may buy it habitually. To overcome this trap, an organization will influence the development of the **attitudinal customer loyalty component**. Customers experience the attitudinal loyalty component in various situations. Establishing relationships with customers is grounded on providing value to them. But, to effectively provide value, an organization has to know its customers, their needs and desires, find out what they value and provide them the product/service they perceive as valuable. As a consequence, customers develop a strong relationship with the product/service provider (Hennig-Thurau, Gwinner & Gremler, 2002). Hence, a sense of belonging (Johnson, Garbarino & Sivadas, 2006) as well as commitment (Garbarino & Johnson, 1999), is enhanced. These are the main drivers of attitudinal loyalty development. Customers become dedicated in doing business with an organization (Dewitt, Nguyen & Marshall, 2008; Johnson, Garbarino & Sivadas, 2006). The more dedicated they feel in a relationship, the more they will consider themselves to be loyal to a certain organization (Pritchard, Harvitz & Howard, 1999; Writz, Mattila & Lwin, 2007; Chiou & Droge, 2006; Johnson, Garbarino & Sivadas, 2006; Skogland & Sigauw, 2004). So, for attitudinal loyalty to develop, customers have to perceive a relation with an organization as a partnership, and the relationship has to be mutually beneficial.

Customers who express high levels of attitudinal loyalty will perceive that an organization is performing better than its competitors (Li & Petrick, 2008; Raimondo, Miceli & Costabile, 2008). Their perception is based on a comparison of received benefits, level of product/services, and other elements of an organization's offer. This will add to the perception that the organization's products/services are satisfying their needs and desires in the best possible way and that the organization really care about them. Hence, customers will perceive that the organization's products/services are the best choice for them (Pritchard, Harvitz & Howard, 1999; Writz, Mattila & Lwin, 2007; Chiou & Droge, 2006; Li & Petrick, 2008). This will establish a prevailing willingness to consider them as first choice when choosing among alternatives in a certain product/service category (Li & Petrick, 2008). Likewise, this will make customers choose the organization's product/service again (Pritchard, Harvitz & Howard, 1999; Chiou & Droge, 2006).

Attitudinal loyalty is also present in the customers' belief that they profoundly like the organization's products/services (Writz, Mattila & Lwin, 2007; Li & Petrick, 2008). As they

compare them with the competitors' offering, they perceive them as different (Pritchard, Harvitz & Howard, 1999). According to Raimondo, Miceli and Costabile (2008), criteria that customers use in comparing offers are value-added service, customer care and communication efforts. As a consequence, customers are more likely to purchase more from an organization's offering (Rundle-Thiele, 2005a; Skogland & Sigauw, 2004). Hence, a positive attitude towards an organization is related to establishing the attitudinal component of customer loyalty. This component comprises customers' willingness and active participation in repeated buying decisions. Organizations that include this attitudinal component in their efforts to build loyalty have more stable customer loyalty. This is so because actions, that is, customer behaviour, are complemented with attitudes. But, the attitudinal component of customer loyalty without the presence of the behavioural component is not worth much. As Dick and Basu (1994) argue, in order to have superiority indicators of customer loyalty, attitudinal component must be observed together with its behavioural counterpart.

Therefore, attitudinal and behavioural loyalty should be considered simultaneously when exploring customer loyalty. This is needed, because a customer's attitude towards an organization that is not behaviourally expressed, either through repeated buying or word of mouth, does not provide value for the organization. Hence, the inclusion of both customer loyalty dimensions grants the researcher a more realistic customer loyalty construct. Furthermore, repeated buying or consuming of a product/service also reinforces a positive attitude towards a certain organization. Therefore, a double loop activity that enhances customer loyalty is present.

**Customer loyalty** has to be also considered from the **cognitive component**. Competitors' actions, as well as changes in the marketplace, influence customers to compare rewards and benefits from one relationship to another or to compare information received from the marketing environment and compare what they give and get in the return (Lee & Cunningham, 2001 in Jones & Taylor, 2007). Customers also consider one organization at the expense of others (Dwyer, Schurr & Oh, 1987). According to Jones and Taylor (2007), Bloemer, de Ruyter and Wetzels (1999), de Ruyter, Wetzels and Bloemer (1998) and Anderson (1996), this element of customer loyalty takes different forms of operationalization as: customer first choice, top of the mind, price tolerance, price/quality ratio, exclusive consideration and identification.

When considering the cognitive customer loyalty dimension, authors mainly conceptualize it as willingness to pay more or to pay a price premium. Therefore, if customers are loyal they will value an organization's offering more than other products/services available on the market and will be willing to pay more or to pay price premium for them. This is so because they feel the organization's products/services are providing them greater benefits than other products/services currently available on the market (Zhang & Bloemer, 2008; Jones & Taylor, 2007; Berry & Parasuraman, 1997; Fullerton, 2003; Zeithaml, Berry & Parasuraman, 1996; Keh & Xie, 2009; Bloemer, De Ruyter & Wetzels, 1999; Bloemer & Odekerken-Schröder, 2007). Furthermore, customers are more likely to feel that they will continue doing business

even if prices are raised or that they will not stop using an organization's products/services even if competitors offer better prices or discounts (Dewitt, Nguyen & Marshall, 2008; Skogland & Siguaw, 2004; Narayandas, 1998). Hence, competitors' lower prices will not attract customers who value an organization's products/services as ones that provide more benefits. Customers are also willing to pay a little bit more for the product/service they use because they feel it is valuable to them (Jones & Taylor, 2007). In researching price influence on customer decisions, Padula and Busacca (2005) contribute to the body of knowledge by asserting that price should be considered a multidimensional construct consisted of cheapness, fairness and variety dimension.

For cognitive loyal customers, the price is not an important factor in deciding if they will continue doing business with a certain organization (Jones & Taylor, 2007). Therefore, it can be said that they show price insensitivity or exhibit price tolerance (Bloemer & Odekerken-Schröder, 2007; Fornell, 1992). For an organization, it is important to know how high the price tolerance increase is. On the other hand, an organization also has to know how much is the price tolerance decrease to induce repurchases (Fornell et al., 1996; Anderson, 1996). So, price insensitivity serves as an indicator of customer loyalty.

Furthermore, exclusive consideration of one organization is also present (Jones & Taylor, 2007). Customers express their cognitive loyalty with the continuous selection of one organization. Therefore, for one product/service category, customers base their buying or consumption decisions focusing on one and the same organization. When constantly doing business with one organization, customers tend to identify themselves with that organization. As a consequence, they start to consider it as "their" organization (Jones & Taylor, 2007).

The cognitive loyalty element distinguishes itself from other loyalty elements because it is based on a constant evaluation of what someone is giving and is getting in return. Sometimes customers are willing to pay more for benefits they receive, others are experiencing price tolerance or exclusive consideration and identification with a certain organization. Therefore, all different customer loyalty conceptualizations that are grouped into the cognitive dimension assume that customers engage in a mental process of comparing benefits and costs. Customers consciously compare "their" organization to others and decide to continue or not doing business with it. This comparison is based on evaluating different elements. Constant evaluation process distinguishes cognitive customer loyalty dimension from others previously elaborated. But this evaluation process is under the influence of social norms (Dick & Basu, 1994), competitors' actions (Fornell, 1992), situational factors (Dick & Basu, 1994) or consumer idiosyncrasies (Oliver, 1999). So, an organization needs to know its customers' perceptions considering its offering and to continuously provide them what they expect. This way an organization can preserve its current cost/benefit ratio in customers' minds and maintain the cognitive dimension of customer loyalty on a high level.

Other authors in researching customer loyalty have introduced some other dimensions, such as **switching intentions** (Bansal, Irving & Taylor, 2004; Bansal & Taylor, 1999; Jones &

Taylor, 2007; Fullerton, 2003). Sometimes a new insight in customer behaviour can be reached if customers are asked if they want to change the organization they are doing business with. As a consequence, their attitude towards switching (Bansal, Taylor & James, 2005; Bansal & Taylor, 1999; Jones & Taylor, 2007), as well as their propensity to switch (Berry & Parasuraman, 1997; Eshghi, Haughton & Topi, 2007), is researched. Similarly, others have researched customer propensity to leave or to terminate the relationship (Morgan & Hunt, 1994; Žabkar, 1996). On the other hand, loyal customers demonstrate resistance to change in spite of significant influences, such as recommendations from friends or family, personal resistance or resistance to competing offers (Pritchard, Harvitz & Howard, 1999; Rundle-Thiele, 2005a, 2005b; Narayandas, 1998). Hence, by researching customers' switching or resistance intentions, instead of asking them about their loyalty, an organization can get useful information about their future intentions.

Similar to the aforementioned future buying intentions, it is quite hard to actually predict if this behaviour is going to happen, that is, if a customer is really going to switch. Therefore, it is wise to explore switching intentions together with some other dimension of customer loyalty to get deeper insight into those intentions. Keaveney (1995); Low & Johnston (2006) and Bansal & Taylor (1999) add different switching barriers to the research framework. This provides the organization with a deeper understanding of the reasons why customers experience switching intentions and how to react accordingly. But, an organization may get the most useful information when it compares switching intentions to actual switching behaviour (Bansal, Taylor & James, 2005; Low & Johnston, 2005).

Rundle-Thiele (2005a, 2005b) adds **customer complaining behaviour** as one of the customer loyalty dimensions. The author differentiates among complaints to external agencies, complaints to friends and family and direct-to-sales complaints as customer loyalty dimensions. (Customers, when dissatisfied with a certain product/service, can either react or not. Most often customers do not react to low value or benefits an organization is providing and just switch. The ones who show their dissatisfaction are endowing an organization with valuable information about their failure to provide value to customers. Customer can react both internally or externally to the problem (Berry & Parasuraman, 1997; Zeithaml, Berry & Parasuraman, 1996; Rundle-Thiele, 2005a). When they express their dissatisfaction directly to an organization, they try to solve the problem internally. On the other hand, when they react towards external agencies, friends and family, they are trying to solve the problem externally. Others (Andreassen, 1999) research complaining behaviour as an external influence that drives or hampers customer loyalty formation. Nonetheless, complaining behaviour affects customer loyalty. However, organizations with effective and quick complaint resolution can even boost customer loyalty.

Some authors include **different customer loyalty elements** in their research. Rundle-Thiele (2005a, 2005b) explores customer propensity to be loyal, which is characterized by slow change in behaviour, or as Ganesh, Arnold and Reynolds (2000) put it, passive loyalty behaviour. According to authors, active customer loyalty is characterized by providing



recommendations, as well as by future buying. Similarly, Rundle-Thiele (2005a) adds that loyalty is also expressed by actively suggesting improvements to an organization's offering, that is, with citizenship behaviour. Loyal customers will also wait if the products of a certain organization are in short supply or if services are not available right away (Narayandas, 1998). Situational loyalty is also introduced (Rundle-Thiele, 2005a), linking diverse situations that can influence customer behaviour. Situational loyalty assumes that customer behaviour will not change and that customers will demonstrate their loyalty even under different situational influences, such as urgent needs, friends gathering or dinner with business partners.

In this multidimensional conceptualization of customer loyalty, different components are researched. Behavioural loyalty is related with repatronage or buying intentions, hence, dealing with customer behaviour. But it is necessary for attitudinal loyalty to be present, also. Without a positive attitude towards an organization's products/services, mere buying does not present a prerequisite for loyal behaviour. Customers can buy products/services on a habitual base, or they buy because no other alternative is available. These customers do not consider themselves to be loyal. Therefore, the co-existence of behavioural and attitudinal loyalty creates solid ground for customer loyalty development. Furthermore, in the presence of diverse competitors and their offering, customers will compare what they get for money/time or something else they involve in a relationship. So, it is necessary that benefits received from an organization outperform those of competitors. In cognitive loyalty, customers experience willingness to pay price premium, price tolerance in case of price increase or exclusive consideration of some organization's products/services. Some authors also add other dimensions to the multidimensional perception of customer loyalty wanting to scrutinize more broadly and more profoundly this customer loyalty phenomenon.

#### 1.2.1.4 One-dimensional conceptualization of customer loyalty

Alongside multidimensional customer loyalty research, other authors (Andreassen & Lindestad, 1998b; Bloemer, de Ruyter & Peeters, 1998; Fornell, 1992; Gustafsson, Johnson & Roos, 2005; Johnson, Garbarino & Sivadas, 2006) are exploring **customer loyalty as a one-dimensional** construct. It could be argued that early researchers were mostly concentrated on investigating customer loyalty as a one-dimensional phenomenon. This is not true, however. Because it can be noticed that one-dimensional conceptualization is still present in some relatively recent customer loyalty research, such as that by Johnson, Garbarino and Sivadas (2006).

In conceptualizing customer loyalty from a one-dimensional perspective, researchers mostly include recommendation and positive word of mouth (Johnson, Hermann & Huber, 2006; Homburg & Giering, 2001; Leverin & Liljander, 2006; Zeithaml, Berry & Parasuraman, 1996; Andreassen, 1999; Aydin & Özer, 2005), as well as repurchase likelihood (Fornell et al., 1996; Lacey & Morgan, 2007; Türkyilmaz & Özkan, 2007; Johnson, Hermann & Huber, 2006; Selnes, 1993; Andreassen & Lindestad, 1998b; Aydin & Özer, 2005). Therefore, for

many authors, saying positive things to friends, family and others about an organization's products/services and encouraging friends to buy or use the organization's products/services coupled with intention to buy or use again organization's products/services represents what customer loyalty is. Others add to the operationalization the possibility of additional purchases (Chiou, Droge & Hanvanich, 2002; Berry & Parasuraman, 1997; Zeithaml, Berry & Parasuraman, 1996; Bell, Auh & Smalley, 2005), price tolerance (Fornell et al., 1996; Türkyilmaz & Özkan, 2007; Aydın & Özer, 2005) and considering an organization as first choice in their decisions (Johnson, Hermann & Huber, 2006; Ndubisi, 2007; Zeithaml, Berry & Parasuraman, 1996; Aydın & Özer, 2005).

In addition to the mentioned elements in the one-dimensional conceptualization of customer loyalty, some authors use: consideration of being loyal (Leverin & Liljander, 2006; Andreassen, 1999), absence of need for change (Leverin & Liljander, 2006; Žabkar, 1996; Hennig-Thurau, Gwinner & Gremler, 2002), exclusivity (Leverin & Liljander, 2006), retention (Heskett et al., 1994), and a sense of a strong relationship (Hennig-Thurau, Gwinner & Gremler, 2002). These elements, however, are not extensively used.

Hence, it can be noticed that different customer loyalty perspectives are included in one-dimensional conceptualization. Authors encompass elements from behavioural, cognitive and attitudinal customer loyalty dimensions. From behavioural loyalty they include items, such as repurchase likelihood, additional purchases and similar. The cognitive loyalty dimension is evident in items, such as price tolerance, first choice among alternatives and others. Also, items from attitudinal loyalty, such as consideration of being loyal, sense of strong relationship and similar are used. Therefore, one-dimensional conceptualization sometimes includes one or more of the previously elaborated customer loyalty dimensions. By putting all dimensions together, authors cover different perceptions but they lose clarity in explaining customer loyalty. Different customer loyalty dimensions interact, they are differently manifested, and their influence differs according to the organization's business (Jones & Taylor, 2007). So, with one-dimensional conceptualization of customer loyalty it is hard for organizations to foresee which loyalty dimension they have to focus on in order to enhance customer loyalty. This is so, because not all dimensions of customer loyalty are possible to enhance with the same activities.

It can be noticed that in operationalizing customer loyalty, authors include elements that are encompassed in different loyalty dimensions discussed earlier in the multidimensional approach to customer loyalty. Söderlund (2006) asserts that repatronage intentions and word of mouth are two distinct constructs and should not be combined in one scale. Moreover, the author suggests that they have to be explored as two distinct elements in researching customer loyalty. To research customer loyalty as a one-dimensional or multidimensional construct depends mostly on the author's decision of how profoundly he or she wants to research customer loyalty in addition to other constructs included in the research. Additionally, Olsen and Johnson (2003) argue that customer loyalty cumulative evaluations are superior to evaluations based on transactions. Moreover, they provide a more balanced view of customer

loyalty drivers. Hence, there are many ways of researching customer loyalty, and authors must remain sensitive to choosing the approach that enables them to research the issue as profoundly as they planned.

In researching customer loyalty, different conceptualizations of loyalty are present. Authors distinguish between different types of loyalty and different levels of loyal customers. Customers exhibit different levels of attitude and repeat patronage. Hence, an organization's managers should distinguish between different types of customer loyalty. These types are premium loyalty, latent/covetous loyalty, spurious/inertia loyalty and no-loyalty (Dick & Basu, 1994; Griffin, 1997; Gounaris & Stathakopoulos, 2004). Premium loyalty represents the most wanted loyalty type for organizations, because of its durability and continuous preference. In some cases, subjective norms or habits shape customer buying behaviour. This behaviour is identified in latent or spurious loyalty types. Every organization should seek to avoid the presence of the no-loyalty type, because it represents a lack of potential to develop any kind of loyalty. Acknowledging this typology should help an organization to better and more precisely segment its customer base and to identify segments that have the greatest potential to express their true or premium loyalty. Creating a loyal customer is a continuous process. In this process customers demonstrate different levels of loyalty (Payne, 1994; Griffin, 1997; Hill & Alexander, 2003). Hence, customer loyalty should be approached as multi-level phenomenon. Segmentation is needed because not all long-term customers show the same level of loyalty. Therefore, an organization's managers have to distinguish between their loyal customers in order to effectively enhance customer loyalty.

Furthermore, customer loyalty can be researched from different perspectives. Some authors research it as a multidimensional construct, while others explore it as one-dimensional. In the multidimensional conceptualization of customer loyalty, different perspectives are found. Some approach customer loyalty as a development process distinguishing various phases (Oliver, 1999; Evanschitzky & Wunderlich, 2006; Han, Kwortnik & Wang, 2008). Others approach it from the different dimensions of which it consists: behavioural, attitudinal and cognitive (de Ruyter, Wetzels & Bloemer, 1998; Bloemer, de Ruyter & Wetzels, 1999; Jones & Taylor, 2007). A third research stream adds more dimensions or focus on some other elements of customer loyalty, such as switching intentions (Bansal, Irving & Taylor, 2004; Bansal & Taylor, 1999; Fullerton, 2003). The one-dimensional approach offers a different point of view. In this approach, customer loyalty is researched as a single construct. So, in its operationalization, authors (Zeithaml, Berry & Parasuraman, 1996; Andreassen & Lindestad, 1998b; Fornell, 1992; Johnson, Garbarino & Sivadas, 2006) include some elements from different customer loyalty dimensions. Nonetheless, how it is going to be conceptualized depends on the researcher's aim. Moreover, customer loyalty is a not concept *per se*, it has to be effectively managed in order that an organization can gain benefits from its establishing and development.

## 1.2.2 Managing customer loyalty

In managing customer loyalty, it is important that organizations take care about customers and constantly deliver them superior value. This superior value provision induces customer loyalty and has several positive consequences for an organization (Reichheld, 1993). First, revenues will rise, as a consequence of referrals, as well as repeated buying and buying across an organization's assortment. Second, an organization's costs will decline because of lower acquisition costs, and third, employee turnover will be lower because of job satisfaction, and that will influence customer loyalty again by lowering an organization's costs. Hence, customer profitability will rise (Heskett et al., 1994).

Authors (Reichheld, 1996a; Griffin, 1997; Diller, 2000; Reichheld, 2001a, 2001b; Hill & Alexander, 2003; Brink, 2004) distinguish between several economic **benefits from customer loyalty**, such as more certainty, more growth and more profitability. More certainty is expressed through stable relationships with customers, increased feedback from customers, more marketing flexibility towards customers, developing trust between partners, stagnating competitors' market share, and increased employee satisfaction. More growth is related to deeper customer penetration, recommendations, networking and partnership development. More profit/profitability is driven by lowering customer and employee costs, better amortization of acquisition costs, concentrating on the most profitable customers, raising employee satisfaction and lowering their turnover rate, as well as by revenue growth. But economic benefits can also have some negative effects on an organization's behaviour and profitability, such as inflexibility in reacting to market changes, inactivity in reacting to new customer needs because of self-satisfaction, skewed customer structure, possible negative word of mouth, and if mistakes and costs appear that are related to bonding activities. The mentioned benefits drive an organization's efforts oriented towards building customer loyalty.

### 1.2.2.1 Strategies for enhancing customer loyalty

In achieving benefits from nurturing customer loyalty, an organization has several possibilities. According to Fornell (1992) and Meyer and Blümelhuber (2000), to minimize customer turnover, an organization can employ a defence business strategy. This strategy is implemented through building switching barriers or by increasing customer satisfaction. Switching barriers will consequently prevent customers from terminating business on the basis of high costs when switching to another organization. The influence of customer satisfaction is vice versa; increasing customer satisfaction will, as a result, increase customer willingness to continue doing business with an organization and, ultimately, it will cause competitors costs in alluring the organization's customers to rise.

Other authors propose different **strategies based on customers' individual characteristics**. Therefore, Reinartz and Kumar (2002) take into account customer profitability and duration of relationship, while Oliver (1999) concentrates on customer fortitude and social support. Reinartz and Kumar (2002) argue that customers differ in their profitability and relationship

duration and should, therefore, be treated differently. They propose four categories of customers presented in Figure 4.

Figure 4. Categories of Customers

	High profitability	Low profitability
Long-term customers	True friends	Barnacles
Short-term customers	Butterflies	Strangers

Source: W. Reinartz & V. Kumar, *The mismanagement of customer loyalty*, 2002, p. 93.

For every segment, the authors propose different possibilities on how to formulate adequate business strategies that will yield the best results for an organization with regard to customer loyalty. Hence, an organization should milk the butterflies, not invest in strangers, softly approach true friends and try to make barnacles spend more. Emphasis is put on adapting strategies to manage customers according to their loyalty level. This way an organization will strengthen the link between loyalty and profitability and, consequently, profits will rise.

Similarly, Oliver (1999) asserts different strategies based on individual fortitude and community/social support. The proposed strategies are related to individual customer loyalty, but an organization can facilitate them and indirectly develop customer loyalty. The proposed strategies are offered in Figure 5.

Figure 5. Loyalty Strategies

	High community/social support	Low community/social support
High individual fortitude	Immersed self-identity	Determined self-isolation
Low individual fortitude	Village envelopment	Product superiority

Source: R.L. Oliver, *Whence customer loyalty?*, 1999, p. 38.

In light of the presented framework:

- ❖ immersed self-identity represents a situation where customers are supported by a social group in consuming a certain product/service. Two elements are important for this loyalty strategy. It represents a consumer lifestyle and the product/service is embedded within the consumers' mind;
- ❖ in determined self-isolation, the central element is a single customer. Customers who belong to this strategy experience adoration and unflinching commitment to certain products/services. Actions are associated with continuous buying of those products/services, immunity for competitive offers and spreading positive word of mouth;
- ❖ in the village envelopment strategy, the customer is protected from outside influences and nurtured in the use of selected products/services. The customer is a passive acceptor of the community will and becomes a participant because of the attention provided by its members. Customers feel a sense of community when sharing the same consumption values and behaviours;
- ❖ product superiority is a customer loyalty strategy that is based on high quality and/or product superiority. Loyalty in this strategy is based on a strong sense of

products/services directed preference. Consequently, it can be easily diminished if some other product/service alters its quality or it is perceived as superior.

Customers remain loyal because they can resist competitors' offers and because the social community supports the individual's attempt to remain loyal. An organization, based on customer loyalty location in this framework, has to reinforce the communication strategy elements that support the development of the appropriate type of customer loyalty among its customers. That is how an organization is going to positively reinforce customer loyalty.

Both these categorizations represent an adequate approach to segmenting loyal customers. By applying segmentation based on the elaborated criteria, an organization can get more from its loyalty efforts. So by tuning its efforts to customer segments, an organization can get better results in enhancing customer loyalty.

**Loyalty programmes** also represent a strategy for building customer loyalty (Morgan, Crutchfield & Lacey, 2000). Their aim is to increase customer loyalty by giving customers rewards for doing business with an organization (Liu, 2007). To be effective, they have to encompass long-term focus. The starting point of any loyalty programme is customer value perception. So, customers who perceive a loyalty programme as creating value for them will enrol in it.

Griffin (1997) distinguishes between relationship, membership and frequency marketing. Relationship marketing is oriented towards growing relationships with customers anchoring customer loyalty with services that create bonds. Organizations that use membership marketing organize customers into membership groups or clubs where non-members are charged higher prices. This way an organization strengthens repeat purchase and builds loyalty. Frequency marketing builds loyalty and increases business by rewarding customers for their cumulative purchase through target communication, incentives and performance tracking. But not every form of loyalty programme is suitable for every business and every organization. Therefore, in order to achieve benefits from implementing a customer loyalty programme, an organization has to carefully reconsider in which form it will implement it.

Morgan, Crutchfield and Lacey (2000) add to the classification with behaviour-based, attitude-based and hybrid programmes. Behaviour-based loyalty programmes provide benefits, usually economic, that induce customer behaviour. Conversely, attitude-based programmes are focused on building relationships and providing customers tangible and intangible benefits. Hybrid programmes represent a mixture of the previous two forms and are more complex.

A customer loyalty programme's success is influenced by several factors (Uncles, Dowling & Hammond, 2003), such as difficulties in interpreting information, problems in collecting the right kind of data, successful schemes that are quickly copied by competitors and the choice of benchmark. For an organization, these factors influence the formation of behavioural and

attitudinal loyalty (García Gómez, Gutiérrez Arranz & Gutiérrez Cillán, 2006). The main effect of their introduction is noticed in broadening relationships among low and moderate buyers (Liu, 2007).

When implementing a loyalty programme, an organization has to bear in mind that it should adapt it to its business plans. Furthermore, no matter how good one loyalty programme seems, it should not be implemented if it is not aligned with the organization's strategy. It is costly to implement it, and without its purpose in helping an organization to enhance customer loyalty there has no point in using it. It is better to use some other instrument that can help the organization to develop or enhance customer loyalty.

Some **personal influences can impede** customer loyalty formation. To overcome the influence of demotivators, an organization has to reinforce its ambivalent motivators (Diller, 2000). Hence, ambivalent influences are evident in the need for opportunism vs. the need for relief, in variety seeking vs. continuity, and in autonomy vs. social integration. An organization can reinforce the need for relief by selecting customers that are not opportunistic, and by developing personal relationships with customers and rewarding them for loyal behaviour. Continuity can be reinforced by maintaining market position, and introducing automated ordering and effective complaint management. The need for social integration should also be stressed by introducing customer clubs, organizing events or using different symbols that reinforce customer connection with both the social community and the organization. Taking into account different motivators and demotivators, and acting accordingly to diminish or enhance their influence, an organization can effectively emphasize customer loyalty development.

#### 1.2.2.2 Customer loyalty builders

To effectively manage customer loyalty, an organization has to distinguish between different elements that can enhance customer loyalty formation and development. Authors have identified a plethora of antecedents that are related to customer loyalty. The most researched antecedents of customer loyalty are customer satisfaction (Andreassen, 1999; Fornell, 1992; Garbarino & Johnson, 1999; Gustafsson, Johnson & Roos, 2005; Oliver, 1980), commitment (Fullerton, 2003; Johnson, Gustafsson, Andreassen, Lervik & Cha, 2001; Jones et al., 2007), trust (Aydin & Özer, 2005; Chiou & Droge, 2006; Clark & Maher, 2007; Johnson & Auh, 1998) and service/product quality (Bell, Auh & Smalley, 2005; Bloemer, de Ruyter & Peeters, 1998; Cronin & Taylor, 1992; Dean, 2007; Zeithaml, Berry & Parasuraman, 1996). Other influences have received only minor attention.

According to Reichheld (2001a) only completely satisfied customers that exhibit high customer satisfaction can experience true loyalty. **Satisfied customers** represent for an organization an excellent predisposition for establishing and enhancing customer loyalty. But, not all loyal customers are satisfied. Sometimes customers are habitually loyal or do not have the possibility to switch even if not satisfied and, therefore, remain doing business with the

organization (Fornell, 1992). Hence, customer satisfaction and loyalty go hand in hand, but there exist conditions where customer loyalty is present, and customer satisfaction absent. Still, customer satisfaction is sometimes argued to be the same as loyalty (Bennett & Rundle-Thiele, 2004).

Oliver (1999) asserts that only frequent or cumulative satisfaction has an influence on loyalty. Customer satisfaction is differently interpreted. Even so, it is based on comparing and evaluating different elements. Hence, expectation and perception is compared with the experienced product/service (Oliver, 1980; Westbrook & Oliver, 1991; Fornell, 1992; Oliva, Oliver & MacMillan, 1992), while perceived value/satisfaction is related to the used product/service or chosen alternative (Vranešević, 2000; Shiv & Huber, 2000; Hill & Alexander, 2003). Authors also compare product/service performance with past satisfaction (Anderson, Fornell & Lehmann, 1994; Johnson, Anderson & Fornell, 1995) or previous consumptions (Andreassen, 1994; Storbacka, Strandvik & Grönroos, 1994). Therefore, customer satisfaction is researched from two-viewpoints, based on the single transaction and the cumulative approach (Anderson, Fornell & Lehmann, 1994; Wang & Lo, 2003). In the transactional approach, customer satisfaction is explored after a single buying decision, while the cumulative approach researches customer satisfaction from a longitudinal stand-point and captures every single transaction a customer has with an organization. The cumulative approach is, therefore, more complex and allows an organization to manage customer satisfaction more effectively.

Customer satisfaction explored as the overall customer-satisfaction approach can be researched as the expectancy-disconfirmation approach and the performance vs. ideal product/service approach (Johnson, Anderson & Fornell, 1995). In the first approach, customer satisfaction is influenced by the level of personal expectations about product/service performance. When performance exceeds expectations (positive disconfirmation), customer satisfaction is increased. On the contrary, when expectations exceed performance (negative disconfirmation), customer satisfaction is decreased. In the second approach, experienced product/service performance is compared to an ideal product/service. If they match or if experience is greater than the ideal product/service, customer satisfaction will increase. On the contrary, if ideal product/service outperforms the experienced performance, customer satisfaction will decrease.

Giese and Cote (2000) argue that every approach to customer satisfaction encompasses the following characteristics. Customer satisfaction is a reaction, emotional or cognitive. This reaction is related to specific focus, expectations, products/services and previous experience. Furthermore, customer satisfaction as reaction is time-related, it appears after consumption or after a decision, and is based on accumulated experience.

To manage customer satisfaction, an organization must acknowledge the possible influences that might enhance its development. The predominantly researched antecedents that influence customer satisfaction enhancement are perceived quality of a service/product or its attributes



(Chiou & Droge, 2006; Zineldin, 2006; Bloemer, de Ruyter & Peeters, 1998; Bansal & Taylor, 1999; Türkyilmaz & Özkan, 2007; Anderson, Fornell & Lehmann, 1994), perceived value (Chitty, Ward & Chua, 2007; Bontis, Booker & Serenko, 2007; Türkyilmaz & Özkan, 2007; Andreassen & Lindestad, 1998a; Lai, Griffin & Babin, 2009; Hellier et al., 2003), expectations and disconfirmation of expectations (Keiningham et al., 2007; Patterson, Johnson & Spreng, 1996; Fornell et al., 1996; Andreassen, 1994; Johnson, Anderson & Fornell, 1995; Anderson, Fornell & Lehmann, 1994; Szymanski & Henard, 2001), and performance (Patterson, Johnson & Spreng, 1996; Johnson, Anderson & Fornell, 1995; Mittal, Ross & Baldasare, 1998; Spreng, MacKenzie & Olshavsky, 1996), as well as equity and fairness (Bolton & Lemon, 1999; Oliver & Swan, 1989a, 1989b; Szymanski & Henard, 2001; Oliver, 1993). Authors have also researched some other influences, such as benefits (Hennig-Thurau, Gwinner & Gremler, 2002; Xu, Goedegebuure & Heijden, 2006), relationship-value-based antecedents (Čater & Čater, 2009b), customer and market orientation (Stock & Hoyer, 2005; Sanzo et al., 2007), and image (Andreassen & Lindestad, 1998a; Cassel & Eklöf, 2001), but these influences have received minor attention. Hence, an organization aiming to increase customer satisfaction has to take into account these antecedents and try to manage their influence.

Positive influences from enhancing customer satisfaction are evident in two ways. They are related to customers, as well as to an organization's performance. Authors (Zeithaml, 1988; Oliver, 1980; Fornell, 1992; Oliva, Oliver & MacMillan, 1992; Storbacka, Strandvik & Grönroos, 1994; Andreassen, 1994; Fornell et al., 1996; Mittal, Ross & Baldasare, 1998; Reinartz & Kumar, 2000; Anderson & Fornell, 2000; Chan et al., 2003) agree that when customers are taken into account, customer satisfaction will result in enhanced loyalty, decreased price elasticity, immunity to competitors efforts, lower transaction costs, a positive attitude towards organization and its products/services, lower customer defection rate, and buying across an organization's product/service assortment. On the other hand, benefits to an organization include lower costs in functioning and product/service mistakes, lower costs in attracting new customers, higher costs for competitors, lower employee turnover rate, enhanced organization reputation, and strong and long-term customer bonds with the organization. By managing customer satisfaction, an organization can achieve multiple benefits. Because satisfaction increases the likelihood of future buying, it is sometimes taken as one with customer loyalty. Moreover, if an organization wants to effectively manage customer loyalty, it will have to take into account customer satisfaction with its products/services, in addition to providing value to customers.

In interaction with customers, an organization acquires information needed for improving its products/services (Berry & Parasuraman, 1997). As Diller (2000) claims, business relationships are deepened and intensified by establishing intensive and direct contact with relationship partners and by involving partners in dialogue. In this process, **commitment** is much amplified. It represents resistance to change (Pritchard, Havitz & Howard, 1999) and, therefore, a desire to maintain a relationship (Moorman, Zaltman & Deshpande, 1992), as well as willingness to continue a relationship and discouragement to switch to another partner,

due to liking and identification, instrumental reasons or felt obligations (Čater & Žabkar, 2009).

It is well acknowledged that commitment is an important element in the development process of long-term relationships (Fullerton, 2003; Garbarino & Johnson, 1999; Hennig-Thurau, Gwinner & Gremler, 2002; Morgan & Hunt, 1994), and it represents a higher state of relational bonding (Dwyer, Schurr & Oh, 1987). The relationship of commitment and customer loyalty has been thoroughly explored from a variety of standpoints: as a global construct (Li & Petrick, 2008; Liang & Wang, 2007; Ndubisi, 2007; Clark & Maher, 2007) or its components; affective (Bloemer & Odekerken-Schröder, 2007; Fullerton, 2003; Han, Kworntnik & Wang, 2008; Bansal, Irving & Taylor, 2004; Gustafsson, Johnson & Roos, 2005; Čater & Žabkar, 2009) representing desire-based attachment; calculative (Bloemer & Odekerken-Schröder, 2007; Fullerton, 2003; Han, Kworntnik & Wang, 2008; Bansal, Irving & Taylor, 2004; Gustafsson, Johnson & Roos, 2005; Čater & Žabkar, 2009) pertaining to switching costs or lack of other alternatives; and normative (Bloemer & Odekerken-Schröder 2007; Bansal, Irving & Taylor, 2004; Čater & Žabkar, 2009) expressing obligation-based attachment.

Some authors approach commitment research by including relationship commitment (Garbarino & Johnson, 1999; Morgan & Hunt, 1994; Lacey & Morgan, 2007; Sharma & Patterson, 2000). Mostly it has been conceptualized as a desire to continue, and a willingness to maintain, the relationship (Morgan & Hunt, 1994; Lacey & Morgan, 2007), that is, it stresses relationship as a focal construct in loyalty building. Additionally, de Matos and Vargas Rossi (2008) find that commitment has a strong relationship with word of mouth. As word of mouth is considered to be one of the important customer loyalty elements, this adds to customer loyalty conceptualization by mediating the relationship between commitment and customer loyalty.

The development of customer loyalty can be enhanced through adequate customer commitment management. Authors have researched many different influences that can improve customer commitment. These influences differ according to the perspective (one or multidimensional) and dimensions (affective, calculative or normative) of commitment they enhance. Thus, an organization has to improve customer satisfaction and reinforce trust, because they are found to influence both affective (Han, Kworntnik & Wang, 2008; Čater & Žabkar, 2009; Gilliland & Bello, 2002; Čater & Čater, 2009a), normative (Bansal, Irving & Taylor, 2004) and relationship commitment (Morgan & Hunt, 1994), as well as commitment researched as a one-dimensional construct (Bowen & Shoemaker, 1998; Keh & Xie, 2009; Garbarino & Johnson, 1999; Hennig-Thurau, Gwinner & Gremler, 2002). In addition, authors have researched a plethora of other influences that can boost different dimensions of customer commitment, but such influences are mainly adapted to different contexts and are, therefore, not generalizable.

As customer commitment is related to customer loyalty and can positively influence its formation and development, an organization has to find ways to effectively manage it. Researchers have explored different elements that can positively influence customer loyalty. Researchers find that an organization has to provide products/services that satisfy customer needs and desires. Furthermore, it has to build trust and a sense of trustworthiness among its customers. These two elements influence customer loyalty enhancement in the majority of cases.

In customer loyalty management **trust** is also important. As noted, trust is an essential ingredient of the long-term relationships. Furthermore, the customer that experiences trust has confidence in an organization or in its products/services. By developing trust among customers in its products/services or in the organization as a whole, the organization can positively affect customer loyalty. Trust has a twofold effect on customer loyalty. First, it directly influences customer loyalty establishment (Aydin & Özer, 2005; Johnson & Auh, 1998). Second, it influences other factors that can encourage customer loyalty, such as customer commitment (Morgan & Hunt, 1994) and satisfaction (Han, Kwortnik & Wang, 2008).

Underlying concepts for trust are confidence and reliability in a relationship partner (Moorman, Zaltman & Deshpande, 1992; Morgan & Hunt, 1994). When trust is diminished, a relationship is more probable to end (Ndubisi, 2007). Therefore, an organization that wants to have long-term relationships with customers and develop customer loyalty has to establish trustworthiness among its customers. Moreover, Johnson and Grayson (2005) differentiate among different trust dimensions, such as affective and cognitive trust. Affective trust is related to feelings of security and perceived strength of the relationship, and it is limited to a customer's personal experience. On the other hand, cognitive trust is related to accumulated knowledge with which a customer can predict if an organization will fulfil its obligations in a relationship. Likewise, Moorman, Deshpande & Zaltman (1993) add that both belief and behavioural intention must be present for trust to exist.

It is vital for an organization to realize what enhances trust so that it can manage its development and prevent its decay. According to different authors, trust is built through adequate communication with customers (Morgan & Hunt, 1994; Sanzo et al., 2007), building shared values (Morgan & Hunt, 1994; Zhang & Bloemer, 2008; Johnson & Grayson, 2005), developing social bonds (Čater, 2008) providing customer satisfaction (Sanzo et al., 2007; Garbarino & Johnson, 1999; Zhang & Bloemer, 2008; Johnson & Grayson, 2005; Tax, Brown & Chandrashekar, 1998) or by sustaining positive corporate reputation (Keh & Xie, 2009; Johnson & Grayson, 2005). On the other hand, perceived engagement in opportunistic behaviour can lower trust (Morgan & Hunt, 1994); similarly, perceived fairness in a relationship can develop it (Han, Kwortnik & Wang, 2008; DeWitt, Nguyen & Marshall, 2008).

Closely related to the notion of trust is the relationship equity construct. When customers are engaging in long-term relationships, they also evaluate if benefits in a relationship are fairly distributed among partners (Raimondo, Miceli & Costabile, 2008). Comparison provides a customer with a sense of equity in a relationship and enhances the customer's feeling of fair treatment (Kim & Ok, 2009). This fair distribution of benefits is a subjective customer evaluation based on individual perception (Oliver & Swan, 1989). Even so, it is an important component of a healthy long-term relationship. Low and Johnston (2006) argue that trustworthiness in an organization will enhance a sense of equity among customers. In long-term relationships, customers can better perceive equity treatment because of the nature of relationships. Hence, in relationships where customers feel they are fairly treated, they stay longer and customer loyalty is developed (Olsen & Johnson, 2003; Raimondo, Miceli & Costabile, 2008).

By building trust and enhancing a sense of equity, an organization can maintain customers for longer periods of time. Trust is the mechanism that is crucial in maintaining long-term relationships (Singh & Sirdeshmukh, 2000). Long-term customers that trust an organization have better predispositions for building true loyalty. The presence of trust signifies that they are not just buying out of habit or inertia. Therefore, in their efforts to establish and develop customer loyalty, organizations have to incorporate trust-building and providing a sense of equity. Moreover, trust, together with customer commitment and satisfaction, forms relationship quality (Athanasopoulou, 2009; Dagger, Danaher & Gibbs, 2009). Hence, enhancing trust among customers will also contribute to the perception of having a quality relationship with an organization and, therefore, positively influence customer loyalty (Huntley, 2006; Macintosh, 2007).

As customers mostly perceive an organization through its products/services, it is necessary that **products/services** have a certain level of **quality**. Service quality is related to the superiority of a service (Zeithaml, 1988) in comparison with other alternatives. Similarly, product quality can be explored as superiority of product attributes. According to Juran (1988 in Andreassen & Lindestad, 1998a), quality is perceived when a product/service meets consumer needs and when, at the same time, deficiencies are absent. In addition, Johnson et al. (2001) and Fornell et al. (1996) relate quality to the degree to which a product/service meets requirements (customization) and how reliably these requirements are delivered (reliability).

An organization aiming to enhance customer loyalty can certainly achieve that through service/product quality increase (Zeithaml, Berry & Parasuraman, 1996). In most of the cases, service quality is explored through a SERVQUAL framework (Parasuraman, Zeithaml & Berry, 1988, 1991), consisting of tangibles, reliability, responsiveness, assurance and empathy. Therefore, an organization can augment customer loyalty by reinforcing the different elements of service quality.

Furthermore, an organization's product/service performances are viewed through intrinsic and extrinsic attributes (Zeithaml, 1988). By researching customers and building relationships with them, an organization can get information about how customers perceive their products/services. The organization can utilize the information gathered to adapt its current offering or develop new products/services. An organization also has to take care of customer expectations that shape customer quality perceptions (Aydin & Özer, 2005). If an organization knows what customers expect from their product/services, it can act accordingly and try to minimize differences.

Service/product quality influences customer loyalty building directly (de Ruyter, Wetzels & Bloemer, 1998; Bloemer, de Ruyter & Peeters, 1998; Zeithaml, Berry & Parasuraman, 1996; Andreassen, 1994) or through customer satisfaction (Cronin & Taylor, 1992; Fornell et al., 1996; Taylor & Baker, 1994; Storbacka, Strandvik & Grönroos, 1994). Here, the role of customer satisfaction is quite amplified because researchers tend to explore these two constructs as related, that is, customer satisfaction is found to be superordinate to service/product quality (Oliver, 1994). Hence, service/product quality is an attitude that is founded on performance, while customer satisfaction is an effect based on specific or cumulative encounters (Cronin & Taylor, 1994; Oliver, 1994).

Using the information it collects from customers, an organization can adapt its products/services to better meet their expectations and to assure an adequate level of quality. Building customer loyalty by enhancing product/service quality is evident in two directions. It can increase customer loyalty directly or indirectly by increasing customer satisfaction.

Perception of product/service quality is affected by consumption experiences (Lai, Griffin & Babin, 2009). As consumption experiences influence an organization's image, it can be stated that the organization's image is under product/service quality influence. Others (Andreassen & Lindestad, 1998a; Bloemer, de Ruyter & Peeters, 1998) argue that an organization's image influences the perception of product/service quality. Hence, with a positive image, an organization signals its products/service quality, and positive experiences of product/service will positively influence an organization's image.

Furthermore, an **organization's image** is related to customer loyalty. Consumption experiences, an organization's communication, and the perceived value customers are getting create an impression in a customer's mind. This impression is the organization's image. Hence, if this impression is positive, customers will be more willing to continue doing business with an organization. So, prerequisites for developing customer loyalty are created. An organization's image is, therefore, seen as being an important predictor of customer loyalty (Andreassen & Lindestad, 1998a; O'Loughlin & Coenders, 2004).

Building an image is a very lengthy and extensive process and it can be destroyed very quickly by neglecting the needs and expectations of the various stakeholders (Dichter, 1985 in Dowling, 1988; Herbig, Milewicz & Golden, 1994 in Nguyen & Leblanc, 2001). Image

represents the impression that an organization makes in people's minds (Dichter, 1985 in Dowling, 1988), as well as the thoughts, feelings and associations about an organization in a customer's memory (Andreassen & Lindestad, 1998b; Andreassen, 1999). An organization's image is established and developed in the customer's mind through communication and experience (Andreassen & Lindestad, 1998a) or by word of mouth and disconfirmation of expectations (Weiwei, 2007). Hence, image is formed by a number of processes. Psychological, personal and organization determined factors (Dowling, 1988), as well as employees and servicescapes (Nguyen, 2006), influence image formation. But, as customers differ, an organization can have different (Nguyen & Leblanc, 2001) or, we can say, multiple images (Dowling, 1988). These multiple images depend on the specific group that is associated with an organization.

When services and service attributes are difficult to evaluate, an organization's image is an important factor in influencing service quality, customer satisfaction and customer loyalty (Andreassen & Lindestad, 1998a). Image functions as a filter and simplifies choice in deciding where to purchase services (Andreassen & Lindestad, 1998a). Service organizations will have a strong image if customers believe that they are getting high value when they buy from it (Nguyen, 2006). Image influences value perception (Ciavolino & Dalgaard, 2007; Lai, Griffin & Babin, 2009; Chitty, Ward & Chua, 2007; Pisnik Korda, 2008). Therefore image will affect people's selection or rejection of an organization's products/services (Spector, 1961).

An organization's image has two components (Barich & Kotler, 1991; Kennedy, 1977 in Nguyen, 2006; Nguyen & Leblanc, 2001): functional and emotional. The former encompasses tangible attributes that can be easily measured, while the latter is associated with psychological dimensions that are manifested by feelings and attitudes towards an organization. So, image consists of feelings from individual experiences with an organization and from the information on the attributes that constitute functional indicators of image. An organization has to take these two components into account because jointly they help to establish a positive or negative image of the organization. Accordingly, a positive image is an element that improves superior value perception in the customer's mind.

Furthermore, an organization's image can be used for retaining dissatisfied customers (Andreassen, 1999). Image is, among other things, based on customers' past experience. So, based on past experience, a customer may regard the source of dissatisfaction as an irregular practice. Consequently, it can be concluded that an organization's image, mediated through past experience, lowers a customer's dissatisfaction. Furthermore, dissatisfied customers have two possible options, either to stop doing business with an organization or to complain, with the aim that the organization might improve those elements that are the cause of dissatisfaction (Andreassen, 1999; Johnson et al., 2001; Fornell et al., 1996; Ndubisi, 2007). According to Fornell and Wernerfeldt (1987), an organization can lower the number of dissatisfied customers who defect, if it gives them less reasons to be dissatisfied, provokes

their feedback in order to solve problems, and improves complaint resolution, that is, provides effective service recovery.

**Complaining** provides an organization with feedback about what it is doing wrong and what dissatisfies customers (DeWitt, Nguyen & Marshall, 2008). But, only a small number of customers hardly ever complain. Therefore, an organization has to act in two directions. It has to increase the number of complaints it receives, and it must provide effective service recovery. Effective service recovery and satisfaction with complaint resolution will form a positive perception of an organization and, therefore, positively influence customer loyalty (Andreassen, 1999, 2001). This effective complaint resolution will also strengthen customer relationships with an organization (Tax, Brown & Chandrashekar, 1998), as well as influence justice perception and enhance trustworthiness in an organization (Dewitt, Nguyen & Marshall, 2008).

Conversely, Doorn and Verhoef (2008) argue that interaction with an organization that creates dissatisfaction can have, in the presence of high relationship quality, a positive influence on customer loyalty. But these negative interactions must not be taken as the sole element that will intensify relationships. Negative interactions certainly will make customers rethink their relationship with an organization and react accordingly. But customer loyalty for effectively solved complaint resolution will not be restored to the level of customers who have never experienced dissatisfaction (Andreassen, 2001).

Some authors (Zeithaml, Berry & Parasuraman, 1996; Berry & Parasuraman, 1997; Rundle-Thiele, 2005a) consider complaining behaviour as one of the dimensions in the multidimensional approach to customer loyalty. They distinguish between internal and external complaining. The former is directed towards the organization, while the latter is directed towards friends, relatives or external agencies. This fact also emphasizes the importance of adequate response to customer complaints.

Handling complaints and providing satisfying resolutions represents a challenge for an organization. With successful complaint resolution, an organization has an option to prevent customers from switching. Therefore, besides influencing different antecedents that establish and develop customer loyalty, an organization can undertake another course in maintaining relationships. This path assumes that an organization prevents customers from discontinuing doing business by raising switching barriers. Hence, in addition to a willing commitment to prolong a relationship, customers sometimes continue doing business with a certain organization because they are discouraged to switch to competitors. When this process is apparent, switching barriers exist. **Switching barriers** make it difficult and costly for customers to terminate a relationship with a certain organization (Fornell, 1992; Jones, Mothersbaugh & Beatty, 2000).

Switching barriers are largely researched as switching costs (Keaveney, 1995; Hellier et al., 2003; Jones et al., 2007; Polo & Sesé, 2009). Switching costs emerge when a customer

perceives he/she will be in an inferior position if he/she decides to end a relationship with the organization (Dick & Basu, 1994). They are one-time costs associated with changing the organization with which the customer is doing business (Burnham, Frels & Mahajan, 2003), and they include sacrifice in time, effort and money (Hellier et al., 2003).

Authors (Keaveney, 1995; Burnham, Frels & Mahajan, 2003; Aydin & Özer, 2005) have identified different switching costs. According to Keaveney (1995), switching costs are presented through pricing, inconvenience, core service failure, service encounter failure, response to service failure, competition, ethical problems, and involuntary switching. Others, such as Burnham, Frels and Mahajan (2003), Aydin and Özer (2005) and Jones et al., 2007, distinguish among different groups of switching costs: financial, including loss of financial resources or benefits associated with an organization; procedural, related to learning, set-up and evaluation where customers lose time and effort; and relational/psychological/social, dealing with psychological or emotional stress and uncertainty associated with ending the relationship.

Some authors explore switching barriers as a multidimensional construct (Ping, 1993; Bansal, Taylor & James, 2005; Wieringa & Verhoef, 2007; Larivière, 2008; Jones, Mothersbaugh & Beatty, 2000), consisting of switching costs, alternative attractiveness and interpersonal relationships. Alternative attractiveness appears as a switching barrier when a customer perceives that he/she could be more satisfied with the competitors' services (Jones, Mothersbaugh & Beatty, 2000; Bansal, Irving & Taylor, 2004; Wieringa & Verhoef, 2007), while interpersonal relationships account for established personal bonds that hinder customers from switching (Jones, Mothersbaugh & Beatty, 2000).

Bansal, Taylor and James (2005) apply the PPM (push, pull and moorings) migration model in identifying antecedents of switching behaviour. According to the authors, push effects that motivate people to leave are related to low quality, satisfaction, value, trust and commitment and high price perception. Pull effects that drive customers to competitors are related to their alternative attractiveness. Moorings effects are associated with a customer's personal characteristics that hinder these pull and push effects, such as attitude towards switching, subjective norms, perceived switching costs, price switching behaviour and variety seeking. Similarly, Wieringa and Verhoef (2007) identify influences on switching behaviour. They relate them to economic or cognitive determinants and social/affective determinants that shape a customer's predisposition to switch.

With aim of making switching costly and thus inducing customers to stay, an organization can use a variety of elements to reinforce this notion. Hence, it can use price strategy and advertising efforts (Polo & Sesé, 2009) as elements that reinforce staying intentions, establish high normative and continuance commitment (Bansal, Irving & Taylor, 2004), as well as emphasize service quality, increase satisfaction and raise switching costs (Bansal & Taylor, 1999). Moreover, perceived switching costs and a lack of good alternatives are reflected in calculative commitment. Hence, customers with high calculative commitment will show high



switching intentions (Gustafsson, Johnson & Roos, 2005). Furthermore, N'Goala (2007) notes that the main influences in switching intentions in established relationships come from employee behaviour, such as service encounter failures, and responses to service failures.

Recognizing a customer's attitude towards switching is related with future switching behaviour (Bansal & Taylor, 1999). So, organizations that recognize customers who are prone to stay, and focus their efforts in developing relationships with them, will achieve higher customer satisfaction (Gustafsson, Johnson & Roos, 2005). Moreover, these customers are more likely to perceive higher switching costs and negatively evaluate competitors' efforts (Ganesh, Arnold & Reynolds, 2000). Additionally, these customers experience different personal influences that impede their switching (Bansal, Taylor & James, 2005).

By raising switching barriers, an organization seeks to prevent customers from defecting. Therefore customers will prolong their relation with the organization. As a result, customer loyalty will develop (Aydin & Özer, 2005; Bell, Auh & Smalley, 2005; Larivière, 2008). However, even if switching barriers do prevent customer from leaving an organization, they may also result in unwanted behaviour (Bansal, Irving & Taylor, 2004).

#### 1.2.2.3 Other issues in customer loyalty management

In customer loyalty management, an organization has to consider a variety of **influences that moderate relationships** between antecedents and customer loyalty. Bansal, Taylor and James (2005) acknowledge that personal characteristics -- attitude towards switching, subjective norms, perceived switching costs, price switching behaviour and variety seeking -- impede switching behaviour. Others (Raimondo, Miceli & Costabile, 2008; Seiders, Voss, Grewal & Godfrey, 2005; Cooil et al., 2007; Chao, Fu & Lu, 2007; Dagger, Danaher & Gibbs, 2009; Homburg & Giering, 2001; De Cannière, De Pelsmacker & Geuens, 2009) find that there exist diverse moderators of the relationship between various antecedents and customer loyalty. These moderators include relationship age, convenience, competitive intensity, interpersonal relationships, and relationship strength, as well as customer characteristics: age, income, education, gender, variety seeking, expertise and involvement. Hence, an organization has to take into account that different influences might support or hinder customer loyalty formation and development.

Furthermore, selecting the right **employees** is another element that enhances customer loyalty (Reichheld, 2001a). The power of employees in establishing and developing customer loyalty must not be neglected. Employees influence customer loyalty formation and building by developing relationships with customers (Michaud, 2000; Bretherton & Beverland, 2001) and, consequently, augmenting product/service perception. Predispositions are found in developing operational excellence and internal quality (Brooks, 2000; Evans, 2001), as well as in developing intimacy with customers (Griffin, 1997). Additionally, employees have to build and enhance trustworthiness in an organization (Bejou, Ennew & Palmer, 1998; Garbarino & Johnson, 1999). This is possible by acting in the customer's best interest, taking care of

customer needs and desires, and ensuring the ethical behaviour of employees. These actions augment a customer's perception of caring and, consequently, long-term relationships with organizations are developed.

Employee actions are related to an organization's culture which needs to encourage employees (Lindgreen & Crawford, 1999) and enhance their efforts in building customer loyalty through empowerment practice (Cook & Macaulay, 1997) and customer-oriented employees (Griffin, 1997), and by developing employee satisfaction and loyalty (Brooks, 2000), encouraging a positive attitude towards customers (Michaud, 2000) and building an organizational culture and infrastructure that will guide employee efforts in the customer retention process (Lowenstein, 1996). Coordinating the actions of organizational departments and helping employees in interaction with customers will enhance customer satisfaction and, consequently, develop customer loyalty (Brooks, 2000).

When an organization is oriented towards establishing and developing customer loyalty, its **efforts** must be **measured**. This is needed in order to monitor if actions aimed at establishing and enhancing customer loyalty are giving tangible results and positively boosting an organization's performance. To achieve this, an organization has to collect data on concerning the following issues (Fornell, 1992; Reichheld, 1996b; Morgan, Crutchfield & Lacey, 2000; Meyer & Blümelhuber, 2000; Hill & Alexander, 2003; Mechinda, Serirat & Gulid, 2008; Olsen, 2007; Clark & Maher, 2003; Jones, Mothersbaugh & Beatty, 2000; Wulf & Odekerken-Schröder, 2003; Keiningham et al., 2007; Evanschitzky & Wunderlich, 2006):

- ❖ among customers
  - ❖ repeat business - number of repeat visits, purchase frequency, self-reported general frequency, an organization's buying frequency, re-buying, length of patronage;
  - ❖ spending – share of wallet, total category spending, trend in spending, expenditure ratio;
  - ❖ cross-buying – cross-buying of an organization's products/services, products/services consideration set;
  - ❖ word of mouth - given referrals, cooperation among customers;
  - ❖ exclusivity - price tolerance ratio, an organization's product/service preference, patronage ratio;
- ❖ in an organization
  - ❖ costs related to products - new product development expenses;
  - ❖ expenses related to attracting customers - promotional expenses;
- ❖ on the market
  - ❖ competitors – available alternatives, alternative attractiveness.

Not all data need to be monitored by every organization. What to observe and collect has to be in concordance with their customer loyalty management. Having in mind that only if you measure something, can you manage it, organizations need to establish a measurement system for customer loyalty. As a consequence this should help organizations to better manage their efforts in building customer loyalty and to take full advantage of developing it.

There are many advantages an organization can gain from establishing relationships with customers and, consequently, managing customer loyalty. For an organization these advantages are more certainty in its business, more growth for organization and more profitability. But, not all customers are equal in doing business with an organization. Some are more prone to stay longer, some are more profitable, and others are habitual switchers. Therefore, an organization has to research and segment its customers, as well as apply an adequate strategy, because the best results for an organization are derived from the most profitable customer segment. These customers are not necessarily the ones who have the longest relationship with an organization. But certainly long-term customers have more predispositions to be loyal. In managing customer loyalty, an organization will have to take care to provide satisfaction to customers and establish commitment in customers' minds. Moreover, it has to build trust in their products/services and organization as a whole, and provide product/service quality. Furthermore, organizations have to take care to possess a positive image because a negative image could easily destroy customer perception that took a long time to build. Efficient complaint resolution is one way of gaining back dissatisfied customers, but only if it is properly managed. All these antecedents encourage customer loyalty. On the other hand, an organization can build switching barriers to prevent customers from leaving it, but it must be aware that this is not the way to boost customer loyalty. Employees have a great role in this process because they represent the organization and can personally influence loyalty formation. Thus, when customer loyalty is established, an organization has to manage it to develop its full potential.

Knowing what customer loyalty is and how it can be managed can help an organization to take advantage of its establishing and development. In the process of value creation, customer loyalty emerges as a volitional consequence of customer behaviour. A customer-oriented organization is a prerequisite to the value creation process. An organization's products/services that satisfy customer needs, friendly employees, and value adding relationships will add to establishing customer loyalty. As a consequence, developing customer loyalty will help accepting customers as important assets in an organization and co-creators of value. This conceptual framework forms a basis for testing those relationships.

## **2 RESEARCH DESIGN FOR THE EMPIRICAL RESEARCH**

The research purpose is to empirically explore the relationship between customer orientation and loyalty. This relationship is often taken for granted, something that is naturally related, and in many cases not further researched. Core values in customer-oriented organizations are customers. Customers drive most of their business actions and are perceived as valuable assets (Berger et al., 2002). Hence, an organization is trying to deliver superior value to them (Wu & Lee, 2005). Delivering superior value is a precondition to establish value adding relationships. Consequently, close relationships are developed and that allows an organization to adapt, even more, its products/services to customers' needs and requirements. On the other hand, customers feel attached to the organization, and their commitment is enhanced.

Furthermore, they purposely decide to stay and continue doing business with an organization (Oliver, 1999; Dick & Basu, 1994). Hence, their loyalty is developed.

After establishing a theoretical framework, empirical research is presented. First, a conceptual model is proposed and research methodology, offered. Both are connected to accomplishing the research goal, which is to analyse the relationship between customer orientation and customer loyalty in mobile telecommunications.

## **2.1 Conceptual model**

Organizations embrace value in use paradigm. By applying this paradigm in its business, an organization inherently acknowledges customers as their partners. In this concept, value is being created and determined when customers use a product/service and when they interact with suppliers in co-creation. Therefore, value is what customers get out of products/services. Furthermore, value is created through exchange and is based on mutually beneficial relationships among partners (Vargo, Lusch & Akaka, 2010). In the paradigm core is the acceptance of customers as valuable assets, that is, assets that create value for an organization (Thomas & Gupta, 2005; Berger et al., 2006). Hence, value is created in collaboration with customers (Gummesson, 2002). Consequently, this value collaboration process is possible only if emphasis is put on establishing relationships with customers.

Value in a relationship between customers and an organization is created through exchange and is based on mutually beneficial relationships among partners (Grönroos, 2006b). If customers perceive that interaction with an organization has value for them, they develop relationships. From an organization's viewpoint, establishing and developing relationships with customers implies that it accepts them as valuable assets (Vandermerwe, 2003; Thomas & Gupta, 2005). As a consequence customers are treated as partners in value co-creation (Pahalad & Ramaswamy, 2000 in Vargo, Lusch & Akaka, 2010; Edvardsson, Enquist & Johnston, 2005). So, we assume that treating customers like partners is a prerequisite for value co-creation.

This implies that relationships that are perceived to augment value to customers consequently contribute to the feeling that an organization is taking care about customers. When an organization is acknowledging customers' importance in its business, that is, in the value creation process, it can be considered that is putting customers in the centre of interest. Furthermore, it creates value for customers, and together with customers. Hence, we argue that this kind of organization is the one that implements customer orientation.

Satisfaction with an organization's products/services is important in the customer decision process. Satisfaction is created if experienced product/service excels customer's expectations or perception (Oliver, 1980). One of possible ways to create satisfaction is to introduce products/services that delight customers (Olson, Slater & Hult, 2005). Furthermore, customers will consider this kind of organization to be creative in developing a new offering intended to

satisfy their expressed (Egan & Shipley, 1995), as well as their unrevealed, needs (Olson, Slater & Hult, 2005). The quality dimension also has to be included in an organization's products/services. But quality has to be tailored to the level that customers perceive as valuable (Garvin, 1987). Altering quality in most of the cases alters price. Therefore, it will not be perceived as an element that contributes to customer satisfaction. Hence, we assume, based on the literature review, that excelling expectations, delighting customers and providing quality contributes to the *satisfaction with an organization's products/services*. Furthermore, we assume that this will also augment the perception that an organization is providing value to its customers. As value is created in co-creation, we expect that this kind of organization is going to be perceived as one that implements customer orientation.

In the process of creating value, long-term relationships are inherent. In these relationships, customers are treated like partners (Bartley, Gomibuchi & Mann, 2007). Therefore, it is expected that collaborative reaction oriented towards developing new products/services and modifying the existing offer is going to be perceived as one that provides value to the customers. Consequently this perceived value alters customer satisfaction (Chitty, Ward & Chua, 2007; Bontis, Booker & Serenko, 2007; Türkyilmaz & Özkan, 2007; Lai, Griffin & Babin, 2009; Andreassen & Lindestad, 1998a; Hellier et al., 2003). Furthermore, customer satisfaction can be approached from a cumulative perspective. This is much amplified when long-term relationships are emphasized, as customer satisfaction is represented through all interactions with an organization (Anderson, Fornell & Lehmann, 1994; Wang & Lo, 2003). It can be noticed that through long-term relationships an organization can create value. So, we assume that *value adding long-term relationships* are going to be positively related with the perception of an organization as being customer-oriented.

Therefore, the starting points in this value creation process are products/services that satisfy customer needs. Through relationship development, the organization will get to know its customers more deeply and customize its offer, as well as develop new products/services (Daniel & Darby, 1997; Thomas, Soutar & Ryan, 2001; Olson, Slater & Hult, 2005) that will induce customer satisfaction. We assume that creating customer satisfaction through products/services will contribute to the notion that an organization appreciates its customers and that it puts them in the centre of interest. Furthermore, this is amplified by establishing value adding relationships. Hence, we believe that both *products/services that satisfy customers* and *value adding relationships* contribute to the perception that an organization is customer oriented.

In process of establishing long-term relationships, efforts of employees are much amplified. An organization's employees are in direct contact with customers and through them customers perceive an organization (Siguaw & Brown, 1994; Day, 1998). So, we believe that employees have an important place in this process of establishing relationships with customers and treating them as partners.

An organization has to take care of its employees as they represent the organization's contact with customers. Satisfied employees manifest their satisfaction in interaction with customers (Day, 1998; Lindgreen & Crawford, 1999; Sigauw & Brown, 1994), thus influencing customer satisfaction. Satisfied employees are usually more dedicated to satisfying customers' needs (Hajjat, 2002). These employees are perceived as being friendly. Furthermore, this perception of friendliness is also enhanced if employees offer products/services that suit customers' needs the best (Daniel & Darby, 1997; Thomas, Soutar & Ryan, 2001). Customers perceive an organization through its employees. So, we expect that *friendly employees* are going to positively influence customers' perception of an organization as one that is taking care of them.

Employees in direct contact with customers can get information about their needs, wants and opinions. Demonstrating to customers that their opinion matters contributes to the feeling of being valuable for the organization. Therefore, close and constant interaction with customers as a result of establishing relationships with them is the best way to satisfy their needs (Daniel & Darby, 1997) and to develop customer satisfaction. So, we assume that *customer-oriented employees* will augment the perception that an organization is indeed customer oriented.

Perceived customer orientation is assumed to represent corporate culture that puts customer interests in first place with an aim to create value for customers. This value is created through an organization's diverse practices. They are represented through *products/services that satisfy customers, friendly employees* and *value adding relationships*. Through these elements we assume that customers perceive an organization's customer orientation. Hence, these elements are supposed to influence the customer's perception of an organization's customer orientation. We expect that *products/services that satisfy customers, friendly employees* and *value adding relationships* represent the defining characteristics of the perceived customer orientation. They are furthermore essential in describing different aspects of the construct (Ruiz et al., 2008) that is, perceived customer orientation, as they cover different practices that create value. Hence, we believe that removing one indicator might alter the conceptual definition of the construct. Therefore, it can be noticed that perceived customer orientation is defined by the dimensions or measures that form it (Petter, Straub & Rai, 2007).

Furthermore, perceived customer orientation elements, that is, *products/services that satisfy customers, friendly employees* and *value adding relationships* describe the relatively unique aspects of the construct. Eliminating any of them we expect that would restrict the conceptual domain of the construct. This also implies that the construct is multidimensional from a conceptual perspective (MacKenzie, Podsakoff & Podsakoff, 2011). Evaluating perceived customer orientation as first-order one-dimensional construct and including all of the items from each sub-construct as a single reflective construct produces a construct that does not actually measure three different aspects of the construct. This is not appropriate and can compromise validity and lead to measurement problems (Petter, Straub & Rai, 2007). Therefore, as it is assumed that *products/services that satisfy customers, friendly employees*

and *value adding relationships* represent three distinct dimensions of perceived customer orientation, a construct can be modelled as a higher-order construct.

Hence, *products/services that satisfy customers*, *friendly employees* and *value adding relationships* are assumed to form perceived customer orientation. In other words, perceived customer orientation does not exist without them. It can be concluded that these elements define the unique characteristics of the construct. Changing one element does change how customers perceive that an organization is customer oriented. But changes in perceived customer orientation are assumed that will not influence changes in other elements. If one element is excluded, this would change the conceptual definition of perceived customer orientation, as they all cover different aspects that contribute to the value creation. Elements might covary, as in perceived customer orientation, but it is not necessary for covariation to be present. These elements do not have the same antecedents because different influences shape *products/services that satisfy customers*, *friendly employees* and *value adding relationships*. When these characteristics are present a construct can be modelled as formative (Jarvis, MacKenzie & Podsakoff, 2003; Diamantopoulos, Riefler & Roth, 2008; Coltman, Devinney, Midgley & Venaik, 2008).

Perceived customer orientation elements are assumed to have the common consequence, that is, formative constructs mediate the effects of indicator variables on the constructs (Franke et al. 2008 in Diamantopoulos, 2011). Furthermore, authors (Diamantopoulos, 2011; MacKenzie, Podsakoff & Podsakoff, 2011; Diamantopoulos & Winklhofer, 2001; Coltman et al., 2008) assert that formative construct is characterized by context specificity. Therefore, its explanation is related to the nomological network in which it is nested. This will be considered in further analysis.

Based on previous literature research, we expected that positive relationships between perceived customer orientation and its elements are present. These relationships are also assumed to be of different magnitude. Hence, the following is proposed:

H1a: The perception of products/services that satisfy customers influences perceived customer orientation.

H1b: The perception of friendly employees influences perceived customer orientation.

H1c: Value adding relationships influence perceived customer orientation.

Organizations that perceive customers' interests as important establish and develop long-term relationships with them. These long-term relationships we believe to contribute to the customer's feeling of being important and appreciated by the organization. Therefore, customers decide to continue doing business with an organization. Hence, it is assumed that predispositions for developing customer loyalty are achieved as Kirca, Jayachandran and Bearden (2005), Dean (2007) and Sanzo, Santos, Álvarez and Vázquez (2007) point out. Loyal customers demonstrate different buying habits, such as buying or using an organization's product/service more often or even buying or using more of the organization's other products/services (Dewitt, Nguyen & Marshal, 2008; Berry & Parasuraman, 1997), and

showing intention to use some product/service in the future (Dick & Basu, 1994; Garbarino & Johnson, 1999). Customers also experience a higher proportion of purchases in one of the organization's product/service categories (Pritchard, Harvitz & Howard, 1999; Wulf & Odekerken-Schröder, 2003). Furthermore, customers will also repeatedly buy an organization's products/services instead of choosing a competitive offering (Zhang & Bloemer, 2008; Cronin, Brady & Hult, 2000). We expect that according to previous research by Zeithaml, Berry and Parasuraman (1996) and Aydin and Özer (2005), customers that demonstrate this kind of behaviour are demonstrating *behavioural loyalty*.

Therefore, an organization that is customer oriented will appreciate its customers. This we expect to be augmented through *perceived products/services that satisfy customers, friendly employees and relationships that add value*. Furthermore, we assume that perceived customer orientation will positively influence customers' reaction. This reaction is expected to be manifested through *behavioural loyalty*.

Customer orientation is demonstrated through various organization actions that put customers in the centre of interest and create value for them. To create value for its customers, an organization has to consider them as being valuable assets (Berger et al., 2002). Consequently, customers are approached as ones that create value for the organization. On the other hand, we assume that customers will perceive that an organization is taking care of them because of the value it provides to them. Customers will become dedicated to doing business with an organization (Dewitt, Nguyen & Marshall, 2008; Johnson, Garbarino & Sivadas, 2006). The more dedicated they feel in a relationship, the more they will consider themselves to be loyal to a certain organization (Pritchard, Harvitz & Howard, 1999; Chiou & Droge, 2006; Johnson, Garbarino & Sivadas, 2006; Skogland & Sigauw, 2004). Also, this will reinforce the belief that they profoundly like the organization's products/services (Writz, Mattila & Lwin, 2007; Li & Petrick, 2008). Consequently, a sense of commitment (Garbarino & Johnson, 1999) and belonging (Johnson, Garbarino & Sivadas, 2006) emerges. When customers feel committed to an organization, they form strong relationships with it (Dick & Basu, 1994; Garbarino & Johnson, 1999; Hennig-Thurau, Gwinner & Gremler, 2002). Hence, we expect that previous behaviour indicates the presence of *attitudinal loyalty*.

Hence, we assume that by perceiving an organization as customer oriented, that is, an organization that *adds value to relationships, has products/services that create satisfaction* and has *employees that are friendly* and cooperative, customers form their opinions about an organization's customer orientation. Furthermore, we assume that these opinions will positively contribute to establishing a sense of perceiving the relationship with the organization as being a partnership and as being beneficial. Thus, we expected that customers will consequently exhibit *attitudinal loyalty*.

An organization that is customer oriented we expect to create value for its customers. This is possible by establishing long-term relationships with them. In long-term relationships, we believe that an organization treats its customers like partners in the value co-creation process



(Prahalad & Ramaswamy, 2000 in Vargo, Lusch & Akaka, 2010; Edvardsson, Enquist & Johnston, 2005). In partner relationships both involved parties perceive that they receive benefits. Therefore, customers feel the organization's products/services are providing them greater benefits than other products/services currently available on the market (Zhang & Bloemer, 2008; Berry & Parasuraman, 1997; Fullerton, 2003; Zeithaml, Berry & Parasuraman, 1996; Bloemer, De Ruyter & Wetzels, 1999; Bolemer & Odekerken-Schröder, 2007). Customers are also prepared to pay higher prices for the benefits they receive (Han, Kwortnik & Wang, 2008) and will continue to do business with an organization in spite of competitors' better prices or discounts (Dewitt, Nguyen & Marshal, 2008). Furthermore, customers also compare what they get and what they have to give in a relationship (Lee & Cunningham, 2001 in Jones & Taylor, 2007). We assume that if they decide to stay because they get more benefits, even if prices are higher compared with competitors, customers show price insensitivity and cognitive loyalty is established (Dewitt, Nguyen & Marshal, 2008; Jones & Taylor, 2007). Hence, we expect that by managing relationships and value co-creation, an organization will develop *cognitive loyalty*.

Thus, an organization that is customer oriented provides value to the customers. We assume that value is created through *products/services that provide satisfaction, relationships that add value and employees that are friendly*. In addition, we expect that customers will compare that value with the value they have to give to receive benefits. If they decide to ignore price as an important factor in their decision making, we assume they are exhibiting price insensitivity that is related with cognitive loyalty. Furthermore, based on this literature review, we assume that perceived customer orientation is going to positively influence customer's *cognitive loyalty*.

In addition, relationships between different customer loyalty dimensions are researched. This will add to a better understanding of the researched phenomenon. Creating value for customers represents a central element in customer orientation. To be successful in this process, organizations have to embrace a customer-centric view. Hence, all actions in an organization have to acknowledge customers as critical assets (Kumar, Lemon & Parasuraman, 2006) and resources for value creation (Thomas & Gupta, 2005). Value is created in collaboration with customers (Gummesson, 2002). Therefore, emphasis is also put on establishing relationships with customers. We believe that it is essential to establish relationships, because through them customers receive value. These relationships are formed through an organization's employees. So, we believe that it is necessary for employees to be friendly and amenable as their behaviour augments value perception. Additionally, we expect that customers' value perception is enhanced through products/services that create satisfaction. Hence, value is perceived through relationships, employees and products/services. This perceived value is assumed to consequently affect customer satisfaction (Andreassen & Lindestad, 1998a).

Customer satisfaction is argued to lower price elasticity for current customers (Garvin, 1988 in Anderson, Fornell & Lehmann, 1994). Hence, we expect that value that customers receive,

together with customer satisfaction, contributes to a customer's price insensitivity. Customers are willing to pay more for benefits they receive and are more tolerant to price increase (Anderson, Fornell & Lehmann, 1994). Also, they consider that price is not an important factor in their decision to continue doing business with an organization (Jones & Taylor, 2007). Therefore, we can argue that the *cognitive* dimension of customer *loyalty* is present.

We expect that customers that are tolerant to price increase keep on doing business with an organization. This is demonstrated through repeated buying (Aydin & Özer, 2005), selecting an organization's products/services among other alternatives (Zeithaml, Berry & Parasuraman, 1996) and through the notion that some of the organization's products/services provide more benefits than competitors (Li & Petrick, 2008). As a consequence, customers will prefer to prolong their relationship with a certain organization. This repeated interaction we assume represents the *behavioural* dimension of customer *loyalty*.

Repeated behaviour establishes in customers a feeling that they are loyal to the organization and dedicated to doing business with that organization (Dewitt, Nguyen & Marshal, 2008). When constantly doing business with one organization, we assume that customers tend to identify themselves with that organization. As a consequence, we believe that they start to consider it as "their" organization (Jones & Taylor, 2007). This results in a stronger relationship (Hennig-Thurau, Gwinner & Gremler, 2002). Hence, we expect that the *attitudinal* dimension of customer *loyalty* can be observed.

Furthermore, the cumulative notion of satisfaction characterizes long-term relationships, as the interaction between customer and organization occurs over a longer period of time. In long-term relationships value in a relationship is added through a collaborative and partnership mindset that is experienced through value adding relationships (Sheth & Parvatiyar, 2002). These relationships are also characterized by collaboration and joint value creation (Gummesson, 2002). Hence, value is created through joint efforts. This we believe that reflects on the expected value of the relationship and contributes to the cumulative satisfaction in the relationship. Bolton (1988) argues that customers that have long-term relationships with an organization will weight prior satisfaction more heavily. This we expect will influence the duration of the relationship. Hence, a feeling of being loyal, together with long-term notion of relationship, we believe elevates customer loyalty to the next level.

This is consistent with the notion expressed by Christopher, Payne & Ballantyne (1991 in White & Schneider, 2000), Payne (1994) and Griffin (1997) that different levels of customer loyalty exist in the relationship continuum. Narayandas (1998) notes that, in this continuum customers form strong relationships with the organization. Therefore, we expect that past experience obtained through interaction with an organization is affected by recent and accumulated experience. This is reflected in new expectations (Johnson, Anderson & Fornell, 1995). If these expectations are met in the interaction with the organization, a positive impact on cumulative customer satisfaction is present (Anderson, Fornell & Lehmann, 1994). Hence,

we assume that cumulative customer satisfaction is affected and, consequently, price tolerance, influenced. But, this time, the process is experienced on a superior level.

By exploring the proposed relationships between perceived customer orientation and different customer loyalty dimensions, we assume that they are positively related. Furthermore, these relationships are supposed to be of different magnitude. Hence, we posit:

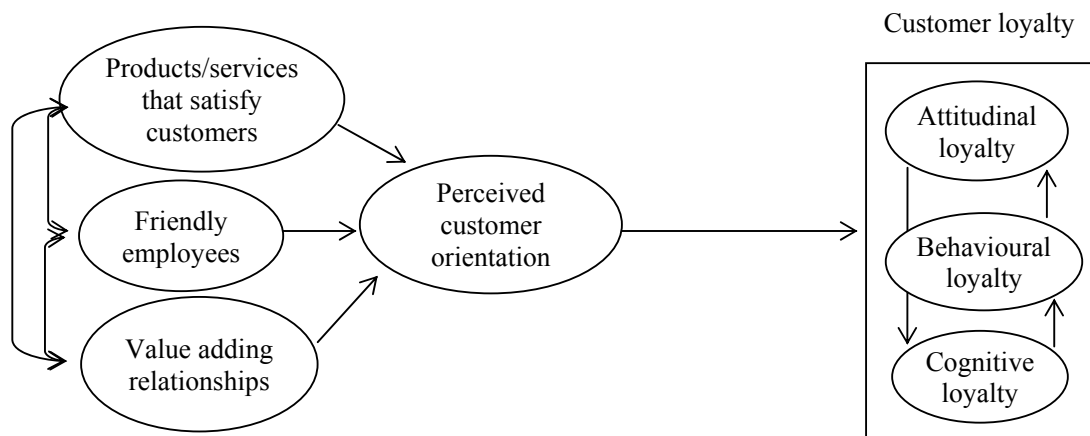
H2a. Perceived customer orientation is positively related to attitudinal loyalty.

H2b. Perceived customer orientation is positively related to behavioural loyalty.

H2c. Perceived customer orientation is positively related to cognitive loyalty.

Based on theoretical background, a conceptual model is proposed in Figure 6.

Figure 6. Proposed Research Framework



A research methodology is provided to explore the proposed relationships in the sections that follow. Upon construct operationalization, pilot research results and data collection process are presented.

## 2.2 Research method

### 2.2.1 Construct operationalization

#### 2.2.1.1 Operationalization of perceived customer orientation

In **perceived customer orientation** operationalization, an extensive literature review was conducted. This literature review is presented in the following tables (Table 2, 3, 4 & 5) summarizing existent customer orientation scales. Literature review comprises authors who have empirically researched customer orientation construct either as a part of a wider construct, such as market orientation or SOCO, or have conceptualized it as an individual construct. Other authors who have explored customer orientation purely on a conceptual basis are not included in this review.

Authors who explore customer orientation based on the sales orientation - customer orientation (SOCO) scale expand upon the work of Saxe and Wietz (1982). These authors develop customer orientation research in two directions. One group of authors explore it as a single construct, building on customer orientation items from the SOCO scale. In this group, some authors have modified the original customer orientation items and adapted them to the research context. Some have even applied a different perspective, that is, customers evaluating salespersons, instead of salespersons evaluating themselves, as in original scale. The other group of authors has continued to explore customer orientation together with the selling orientation part of the SOCO scale (see Table 2).

Table 2. Customer Orientation Scales – Developed from the SOCO Scale

Author(s)	Research object	Raters (unit of analysis)	Area of interest/context	Customer orientation scale	Factors (dimensions of customer orientation)
Saxe & Wietz, 1982	Customer oriented selling	Salespeople rating their behaviour towards customers	B2B, B2C salespeople (4 different industries)	SOCO scale (selling orientation – customer orientation), developed	Two (customer orientation and selling orientation)
Michales & Day, 1985	Assessment of the seller's customer orientation	Customers (purchasing professionals) assessing the salespeople customer orientation	Industrial buyers	SOCO scale adapted to customers rating	Two (customer orientation and selling orientation)
Siguaw & Brown, 1994	Influence of an organization's market orientation on salesperson perception of customer orientation	Salespersons assessing their customer orientation	B2B - U.S. firms	SOCO scale	Single
Wray, Palmer & Bejou, 1994	Quantify the factors contributing to buyer-seller relationship quality	Customers of financial services organizations assessing their attitude towards brokers	B2C – financial institutions (USA)	Customer orientation items from the SOCO scale	Single

*(table continues)*

(continued)

Author(s)	Research object	Raters (unit of analysis)	Area of interest/context	Customer orientation scale	Factors (dimensions of customer orientation)
Palmer & Bejou, 1995	Customers' perceptions of factors contributing to development of relationship with their financial adviser	Customers of financial advisers (gender dyads)	B2C - Financial institutions	SOCO scale	Single
Tadepalli, 1995	Assessing buyers' perceptions of salespeople customer orientation	Customers (purchasing professionals) assessing specific salesperson customer orientation	Industrial buyers	COVS scale (customer orientation of vendor salesperson), modified SOCO scale	Single
Daniel & Darby, 1997	Measuring customer orientation dimensions as perceived by service providers and their clients	Nurses' (service providers) self-perception of customer orientation and patients (clients) assessing nurses' customer orientation	Hospital setting	COS SCALE, modified SOCO scale	Two (information exchange and professional relationship)
Bejou, Ennew & Palmer, 1998	Measuring the degree of selling and customer orientation of sales personnel	Customers assessing relationship with financial adviser	B2C - financial institutions (USA)	Modified SOCO scale	Single
Williams, 1998	Influence of salesperson customer-oriented behaviour on the development of buyer-seller relationships	Organizational buyers evaluating salespeople behaviour	B2B - organizational buyers	Modified SOCO scale	Single

(table continues)

(continued)

Author(s)	Research object	Raters (unit of analysis)	Area of interest/context	Customer orientation scale	Factors (dimensions of customer orientation)
Hult & Nichols, 1999	Assessing how much is buying centre leadership helping their SBU "customers" to make purchase decisions that will satisfy their needs	Purchasing field managers assessing buying centre leadership style; customer orientation one of elements (dyad relationship)	Major air express transportation organization operating worldwide	Customer orientation elements from SOCO scale	Single
Brady & Cronin, 2001	Effects of being customer oriented on service performance perception and outcome behaviours	Customers assessing organization (by observing its service personnel)	Services industry – 3 industries	Customer orientation items from the SOCO scale	Single
Thomas, Soutar & Ryan, 2001	Measuring the customer orientation of salespeople, from multiple perspective	Groups of interest (salespeople, customers and managers) assessing B2B sales representatives orientation	B2B market	SOCO scale and short SOCO scale (10 items)	Two (customer and selling orientation)
Periatt, LeMay & Chakrabarty, 2004	Measuring selling orientation – customer orientation	Managers working in logistics assessing their customer orientation	B2B - logistics organizations with a reputation for exceptional logistics performance	SOCO scale (24 items) and short SOCO scale (10 items)	Two (customer and selling orientation)
Macintosh, 2007	Travel counsellors' customer orientation	Canadian university employees assessing the university's travel agent	B2B, travelling agency	Customer orientation part of SOCO scale	Single

Another group of researchers explore customer orientation as one of the market orientation elements. These authors prevalently expand upon the work of Narver & Salter (1990) work.

Some use the work of Deng & Dart (1994) as a foundation for their research on customer orientation. Hence, customer orientation is explored as an element that contributes to an organization's market orientation (see Table 3).

Table 3. Customer Orientation Scales – Developed as Part of Market Orientation

Author(s)	Research object	Raters (unit of analysis)	Area of interest/context	Customer orientation scale	Factors (dimensions of customer orientation)
Narver & Slater, 1990	Behavioural components of market orientation	Members of top management team in SBU assessing business practice in principal market served	Strategic business units of western US corporation – forest product division	Market orientation, developed	Single (part of market orientation)
Deng & Dart, 1994	Measuring market orientation	General or marketing manager assessing their organization's market orientation	Broad range of Canadian companies	Market orientation scale (four factors), developed	Single (part of market orientation)
Gray, Matear, Boshoff & Matheson, 1998	Developing scales for measuring market orientation	Senior managers estimating market orientation in their organizations	New Zealand companies	Customer orientation scale (based on Deng & Dart, 1994; Narver & Slater, 1990), developed	Part of market orientation
Han, Kim & Srivastava, 1998	Relationship between market orientation and organizational performance	Marketing managers or person in charge for marketing function estimating organization's market orientation	Banks in mid-western states	Market orientation (Narver & Slater, 1990 )	Part of market orientation

*(table continues)*

(continued)

Author(s)	Research object	Raters (unit of analysis)	Area of interest/context	Customer orientation scale	Factors (dimensions of customer orientation)
Deshpande & Farley, 1999b	How market orientation affects performance of major Indian and Japanese firms	Executives in a business unit and its important business customers assessing market orientation (quadrant analysis)	Indian and Japanese organizations whose stocks are traded on Bombay and Tokyo stock exchanges	Elements from Deshpande, Farley & Webster (1993); Kohli & Jaworski (1990); Narver & Slater (1990)	Part of market orientation (but customer orientation not explored as such)
Mavondo, 1999	Researching market orientation in two different countries	Managers responsible for profit performance assessing their organizations	Australian (automotive and personal and other services industry) and Zimbabwe (food manufacturing industry) organizations	Minor modifications of Narver & Slater (1990)	Part of market orientation (but customer orientation not explored as such)
Webb, Webster & Krepapa, 2000	Exploring customer defined market orientation	Client organizations assessing corporate bank market orientation	Services - banking sector	Modified customer orientation scale (Narver & Slater, 1990)	Part of market orientation
Narver, Slater & MacLachan, 2004	Responsive and proactive market orientation	Managers (general managers, sales and marketing executives) assessing their principal served market segment	Business units of manufacturing and service organizations	Proactive and responsive market orientation scale, developed	Part of market orientation (but customer orientation not explored as such)
Sanzo, Santos, Álvarez & Vázquez, 2007	Analysing the influence of a firm's market orientation on its attitudinal loyalty toward a supplier	Firm directors assessing relationships with principal supplier	Northern Spain, diverse manufacturing industries using ISO standards	Modified Narver & Slater (1990) (cultural and operative market orientation scales)	Part of market orientation



(continued)

Author(s)	Research object	Raters (unit of analysis)	Area of interest/context	Customer orientation scale	Factors (dimensions of customer orientation)
Snoj, Milfelner & Gabrijan, 2007	Impact of market orientation, innovation and reputational resources on market and financial performance	Marketing managers or marketing directors assessing their organizations	Organizations in Slovenia with more than 20 employees	Market orientation based on Narver & Slater (1990)	Part of market orientation (but customer orientation not explored as such)

Authors who belong to the following group of researchers (see Table 4) have developed one-dimensional scales of customer orientation. Their work builds upon the work of Narver & Slater (1990) and Kohli & Jaworski (1990). They explore customer orientation separately of market orientation. Some authors have also slightly adapted and modified the original scale.

Table 4. Customer Orientation Scales – Developed as One-dimensional Separate Scales

Author(s)	Research object	Raters (unit of analysis)	Area of interest/context	Customer orientation scale	Factors (dimensions of customer orientation)
Deshpande, Farley & Webster, 1993	Evaluation of customer orientation (customers and suppliers)	Marketing executives (vendor, assessing their own customer orientation) and purchase executives (customer, assessing customer orientation of the vendor)	B2B - major Japanese firms with their key customers	Scale based on Narver & Slater (1990) and Kohli & Jaworski (1990) work, developed	Single
Appiah-Adu & Singh, 1998	Estimating customer orientation – performance link in SMEs	Marketing executives or managers responsible for marketing assessing organization's customer orientation	Manufacturing and service organizations in UK	Customer orientation (Deshpande, Farley & Webster, 1993)	Single

(table continues)

(continued)

Author(s)	Research object	Raters (unit of analysis)	Area of interest/context	Customer orientation scale	Factors (dimensions of customer orientation)
Strong & Harris, 2004	Drivers of customer orientation development	Marketing managers, marketing directors assessing their organizations	High tech computer industry	Customer orientation items from Narver & Slater (1990)	Single
Olson, Slater & Hult, 2005	Customer orientation as one of strategic behaviours that are related to superior performance	Senior marketing managers assessing their organizations	Manufacturing and service organizations	Modifying customer oriented behaviour (Narver, Slater & MacLahan, 2004), developed	Single
Wu & Lee, 2005	Internal push factor (customer orientation) in a firm adoption of e-communication	Senior executives of SBU responsible for e-business strategy of IT technology	Technology intensive industries in US	Adapted from Narver & Slater (1990)	Single
Chao, Fu & Lu, 2007	Role of customer orientation in quality-loyalty linkage	Retailers (business owners or persons responsible for making purchase decisions) assessing wholesalers	Taiwan retailers (grocery wholesalers - B2B)	Slight modification of Deshpande, Farley & Webster (1993) and Hajjat (2002)	Single

The following group of authors (see Table 5) have approached customer orientation as a separate construct. Research is based on exploring customer orientation construct by adding different dimensions. These dimensions contribute to extending the body of knowledge on an organization's customer orientation. Some authors do not explore customer orientation as such, but place emphasis on creating value for customers.

Table 5. Customer Orientation Scales – Developed as Separate Scales with Multiple Dimensions

Author(s)	Research object	Raters (unit of analysis)	Area of interest/context	Customer orientation scale	Factors (dimensions of customer orientation)
Egan & Shipley, 1995	Dimensions of customer orientation	Managers assessing their organizations	Financial service industry	Customer orientation, developed	Seven (communications, customers' performance, service delivery, service systems, customer contact, image and reputation, customer base)
Conduit & Mavondo, 2001	Researching the relationship between internal customer orientation and market orientation as well as their antecedents	General employees assessing their organizations	Three Australian based organizations with international background (automotive, insurance, and personal and other services)	Internal customer orientation	Single but differentiating between internal and external customer orientation (external is exclusively researched as market orientation element)
Hajjat, 2002	What customer oriented company should do	Managers assessing their organizations	Organizations in the Middle East country	CUSTOMOR scale	Four (customer intimacy, customer welfare, company transparency, continuous improvement)
Hennig-Thurau, 2004	Service employees' level of customer orientation	Customers assessing service employees customer orientation	B2C consumers for two services (book/CD/DVD retailers and travel agencies)	Developed COSE scale	Four (employees' technical skills, social skills, motivation, decision-making power)

(table continues)

(continued)

Author(s)	Research object	Raters (unit of analysis)	Area of interest/context	Customer orientation scale	Factors (dimensions of customer orientation)
Chen & Quester, 2005	Developing value-based measure of market orientation	Customers assessing front-line employees market orientation efforts and front-line employees assessing their own market oriented efforts	Taiwan, hairdressing industry	CVBMO (customer value based market orientation), developed	Dimensions of customer value based market orientation (good service behaviours, good consuming environment, episodes in service, individualized value, economic value, risk avoidance in service, social-psychological interaction, consideration of alternatives)
Bartley, Gomibuchi & Mann, 2007	Defining customer focused culture	Managers defining and assessing customer focused culture in their organizations	Diverse (7 different industries) in New Zealand	Benchmarking study	Six (customer focussed culture: leadership, listening, analysis and understanding, integration and deployment, people, review and improve)
Dean, 2007	How is perceived customer orientation of the call centre related to service quality	Customers assessing customer orientation of the call centre employees	Australia, two sources: end consumers of an insurance provider (B2C), and business customers of a bank (B2B)	Customer orientation scale (Narver & Slater, 1990) with added items (Schneider <i>et al.</i> , 1998; Sin and Tse, 2000).	Two (customer feedback, customer focus)

(table continues)

(continued)

Author(s)	Research object	Raters (unit of analysis)	Area of interest/context	Customer orientation scale	Factors (dimensions of customer orientation)
Chen & Quester, 2009	Frontline employees’ perception of headquarters’ market orientation regarding management support in relation to customer value delivery and customer loyal behaviour	Customers (assessing satisfaction with employees value delivery and retention) and front-line employees (assessing their efforts and management market orientation in relation to value delivery ) (dyad pairs)	Taiwan, hairdressing industry	Some elements (employee efforts and customer satisfaction) from value based market orientation (VBMO), management support and customer retention are developed	Three of management support (on-the- job training, company-wide communication, and in-bound organization a learning) and four of employee efforts and customer satisfaction (individualized value, economic value, avoidance of risk-taking, and social- psychological interaction)

In measuring customer orientation, the perspective of managers is mostly applied. Hence, research focuses on how they perceive their organization customer orientation or what is the practice that an ideal customer-oriented organization should perform. When customers assess an organization’s customer orientation, this is mainly related to assessing salespersons behaviour, that is, their selling and/or customer orientation. But, the true evaluators of whether an organization is customer oriented are its customers. They experience an organization’s customer orientation directly and, therefore, could be more objective in its assessment. Hence, the focus of research is to measure the customer perspective in an organization’s customer orientation by assessing the organization directly, and not its sales personnel. Therefore, none of the previously presented scales was found to be suitable. As a result, the need for a new scale that would measure perceived customer orientation emerged.

In developing this perceived customer-orientation scale, different authors were consulted, such as Churchill (1979) and Rossiter (2002), as well as Pervan, Bove & Johnson (2009), Bisbe, Batista-Foguet & Chenhall (2007), Geuens, Weijters & DeWulf (2009) and Ridgway, Kukar-Kinney and Monroe (2008). This was done to understand how to apply the correct steps in scale development.

First, a sound conceptual definition of construct is needed (MacKenzie, Podsakoff & Podsakoff, 2011). This incorporates specifying the construct domain (entity, general property) and conceptual theme (attributes, its dimensionality, object and evaluator).

Hence, the definition of customer orientation is based on the work of Deshpande, Farley and Webster (1993, p. 5), Kohli and Jaworski (1990, p. 3), and Narver and Slater (1990, p.22). Customer orientation from the customer perspective is a set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders. To accomplish this, an organization must generate, disseminate and react upon customer intelligence. This is essential for creating superior customer value.

A customer-oriented organization is an entity that needs to be specified, and it is evaluated through the customer perspective, that is, its evaluators are customers. Construct attributes encompass the following: What does it mean to customers that an organization is customer oriented, and what are the characteristics of a customer-oriented organization?

The conceptualization phase was followed by a phase in which a sample of items that represent perceived customer orientation was generated. In this phase, expert research was done. An e-mail was sent to 15 experts with a request for their help in defining customer orientation from the customer perspective. Experts in this research represent individuals who are highly aware of market conditions, have a critical opinion towards organizations' market practice and will critically compare as well as rationally evaluate organizations' different practices towards customers. Furthermore, they have the ability to identify best practices and to point out elements that contribute to the value creation process. The pool of experts was chosen to represent persons with different educational, financial, marital and cultural background. They were also asked to send an e-mail to their acquaintances, friends and relatives, with whose opinions additional information on defining the research construct would be obtained. In the end, 34 perspectives were collected. The collected opinions on what customer orientation represents to them served as a pool for generating items related to perceived customer orientation. Additionally, 89 items were generated. These items pertain to several different areas that customers evaluate when they assess an organization's customer orientation. Areas are related to the product/service itself, practices oriented towards satisfying and communicating with customers, employees and an organization's activities connected with customers, such as market research, complaints, rewarding loyalty and similar.

As a result of the literature review and brainstorming exercises, additional items evolved that describe customer orientation from the customer perspective. Putting it all together resulted in 176 different statements explaining customer orientation. A poll of items recheck was done that resulted in removing similar ideas, look-alike thoughts, and statements conceptually difficult for customers to rate or assess due to lack of knowledge about an organization's internal practices. At the end of the process, 93 customer orientation statements were kept.

The next phase was to assess content validity and to purify the measures. In this phase, the previously refined 93 statements about customer orientation from the customer perspective were subjected to critical assessment. Five judges – three professors and two senior assistants, experts in the field of marketing – participated in the rating process. To ensure that all have an identical perspective in evaluating customer-oriented statements they were sent: a conceptual definition of customer orientation, what they have to rate (object of evaluation, that is, customer-oriented organization), what the statements should cover (defining the behaviour of a customer-oriented organization), what perspective in statements they should seek (customer evaluation), and a measurement task (defining a customer-oriented organization from customer perspective). They were asked to rate every single statement to see if it relates to customer orientation. If the answer was positive, they were asked to additionally assign to it a grade, from 1 (very low) to 5 (very high) describing how it corresponds to customer orientation from the customer point of view.

After the judgment process, statements were selected that pertain the most to customer orientation viewed from the customer point of view. The selection criterion was the judges' opinion about the association of a specific statement with customer orientation. Statements with all five positive ratings were directly included in the refined scale. Other statements were selected providing they were graded higher than 3.0 (the maximum grade possible was 5.0).

This process resulted in 33 selected statements:

I sense that my organization takes care about me.

My organization respects my needs.

Products/services are adapted to customers.

The products/services of my organization are tailored to customers' requirements.

I'm often thrilled with new products/services my organization introduces.

My organization is creative in developing new offerings intended to satisfy customers' needs.

My organization's employees try more than expected to satisfy customer needs.

My organization's employees are friendly.

My organization's employees always try to help me and resolve my problem.

My organization treats me as if I'm exceptional.

My organization asks for feedback about offered products/services.

I sense that my organization treats me like partner.

My organization resolved all my complaints.

My organization provides different ways of communication.

My organization develops collaborative relationship with consumers.

If a question arises about the products/services that my organization offers, its employees give an explanation in an understandable way.

I sense that my organization cares about my satisfaction.

I sense that my organization resolves complaints quickly and uncomplicated.

I sense that my organization satisfies my needs.

I sense that my organization wants to have a long-term deal with me.

When I'm interested in my organization's products/services, I sense that its employees offer me something that suits my needs the best.

Based on information I get from my organization, I can create realistic expectations about products/services.

I sense that my organization offers added value.

My organization provides exact information about the products/services it offers.

My organization's practice creates trust.

I believe that my organization is more customer-oriented than its competition.

My organization's core value is customer satisfaction.

My organization is dedicated to its customers.

My organization is researching customer's opinion about its products/services.

My organization quickly responds to complaints.

My organization creates added value for consumers.

My organization's employees want to resolve my problems.

My organization and its employees try to persuade customers with information, not with pressure.

These statements were re-checked for possible similarities and customer-accepted phrasing. Therefore, seven additional statements were excluded because of different phrasing but very similar meaning, and three statements were excluded because they were too general, that is, customers would have had difficulties in rating them. At the end of the selection process, 23 statements comprised the perceived customer-orientation scale.

Additionally, scale refinement was also performed. The 23 selected statements that are included in the perceived customer-orientation scale were double-checked for inconsistency. Two experienced young researchers checked the consumer perspective in scale statements. According to their suggestions, some statements were reworded and adapted to more clearly express the customer perspective.

The perceived customer-orientation scale encompasses different elements about how customers recognize that a certain organization is providing them with superior value. When an organization puts customers in the centre of business, it accepts that customers are valuable assets and acknowledges them as co-creators of value. Therefore, this is reflected in business practice that customers perceive as being oriented towards them.

Other previously established scales that explore customer orientation mainly did not include the customer perception of an organization's customer orientation. Hence, scales that build on the SOCO scale (Saxe & Weitz, 1982) emphasize the customer orientation of a certain salesperson with which a respondent has a close personal contact. Based on this perception, authors make conclusions about an organization's customer orientation (Brady & Cronin, 2001). This perspective incorporates customer perception in assessing an organization's customer orientation but conclusions are based on salespersonel behaviour.

A group of authors, who explore customer orientation as an element of market orientation, such as Narver and Slater (1990) or Sanzo et al. (2007), explore managers' perceptions of how their organization is market oriented. Hence, managers' perception represents a basis for



elaborating on an organization's market and, consequently, on customer orientation. A third group of authors, such as Deshpande, Farley and Webster (1993) or Olson, Slater and Hult (2005), explore customer orientation per se. They approach customer orientation as a one-dimensional construct. Similar with the previous group of researchers, managers' perception of their organization's customer orientation represents a starting point in the research.

A different perspective on customer orientation is provided by a group of authors who ground their work on exploring its different elements. One approach among these authors builds on managers' perception of an organization's customer orientation (Egan & Shipley, 1995), while another group assesses salesperson's customer orientation (Hennig-Thurau, 2004). Mutual to both perspectives is the approach to customer orientation as a multidimensional construct. Hence, they explore customer orientation more profoundly and add to the sensitivity of the researched phenomenon.

Therefore, a perceived customer orientation scale that focuses on the end-customer perception of an organization's customer orientation offers a different standpoint. This standpoint helps organizations to take into account the customers' perception in building customer orientation. Operationalization for the perceived customer orientation scale relating to the previous process of generating items is proposed. Items are grouped relating to different aspects of perceived customer orientation. Hence, three groups of aspects are identified; *products/services that satisfy customers, value adding relationships and friendly employees.*

In operationalizing **products/services that satisfy customers**, focus is on providing value and satisfaction for customers. Different actions are taken into account. Some customers say, "It's the sense that the company cares about me" or "...with service you get the sense of security that someone will not double-cross you and persuade you to buy something and then forget that you exist...", as well as "...to 'tie' customers to an organization with quality products/services, and correct and outstanding relationship". Customers also sense if an organization is respecting their needs. This is perceived through personalized offerings, having what customers want, respecting customers and their needs, wants and suggestions. This is expressed in statements, such as "...investing energy in tailoring products/services to customer requirements or expressed needs" or "...organizations that appreciate customers as human beings, not as brainless things that will buy whatever is put on shelves...". Consequently, an organization will customize its product/services to customer requirements (Pitta, Franzak & Little, 2004), and this will have positive consequences for the entire network of participants in value chain creation. This contributes to making an organization being perceived as more customer-oriented than its competitors (Deshpande, Farley & Webster, 1993; Deshpande & Farley, 1999b).

On the other hand, an organization must be proactive and anticipate change in customer needs. In this way, the organization can stay ahead of the competition. This is achievable if the products/services that it introduces to the market are delighting customers (Olson, Slater & Hult, 2005). Furthermore, customers will consider this kind of organization to be creative

in developing a new offering intended to satisfy their expressed (Egan & Shipley, 1995), as well as their unrevealed, needs (Olson, Slater & Hult, 2005).

The above mentioned develops a sense among customers that an organization is trying to satisfy their needs (Daniel & Darby, 1997), and it enhances customers' trust in an organization (Dean, 2007). It is important for an organization to provide exact information (Daniel & Darby, 1997; Bejou, Ennew & Palmer, 1998; Macintosh, 2007) about its offering. As a consequence, customers will create realistic expectations (Bejou, Ennew & Palmer, 1998; Hajjat, 2002) and are not going to be disappointed when they try the product/service.

Based on the above, the following statements are proposed for *products/services that satisfy customers*:

I sense that my organization takes care about me.

My organization respects my needs.

I'm often thrilled with new products/services my organization introduces.

My organization is creative in developing new offerings intended to satisfy customers' needs.

The products/services of my organization are tailored to customers' requirements.

I sense that my organization satisfies my needs.

Based on information I get from my organization, I can create realistic expectations about products/services.

My organization provides exact information about the products/services it offers.

My organization's practice creates trust.

I believe that my organization is more customer-oriented than its competition.

In operationalizing **value adding relationships** focus is on an organization's activities that provide value for customers and, as a consequence, a relationship between organization and customers is established. Customers sense that an organization treats them exceptionally. This feeling of appreciation is developed by creating collaborative relationships and treating customers as partners (Palmer & Bejou, 1995; Bartley, Gomibuchi & Mann, 2007), as well as by demonstrating that customer satisfaction is an important element of the organization's practice (Michales & Day, 1985; Deshpande, Farley & Webster, 1993; Dean, 2007). Furthermore, the sense that the organization is providing added value is enhanced (Narver & Slater, 1990; Gray et al., 1998; Wu & Lee, 2005; Snoj, Milfelner & Gabrijan, 2007) or, expressed in the words of customers, "...the organization is better than the competition in dedicating extraordinary attention to customers that will create added value to products/services...". This enhances in customers the belief that an organization wants to develop a long-term relationship with them (Bartley, Gomibuchi & Mann, 2007).

More detailed information about customer needs and desires is possible through established relationships. An organization can get insight to customer needs and desires by asking customers for feedback (Gray, Matear, Boshoff & Mathson, 1998). Customers value different ways of communication with an organization (Egan & Shipley, 1995; Wu & Lee, 2005). So, it

is perceived positively if an organization uses different channels of communication with customers in collecting information or in giving feedback.

Hence, customers should distinguish customer orientation through the following statements on *value adding relationships*:

My organization treats me as if I'm exceptional.

My organization asks for feedback about offered products/services.

I sense that my organization treats me like partner.

My organization provides different ways of communication.

My organization develops collaborative relationship with consumers.

I sense that my organization cares about my satisfaction.

I sense that my organization offers added value.

I sense that my organization wants to have long-term deal with me.

In operationalizing **friendly employees** the centre of attention is focused on employees' practices and behaviour. Different perspectives that contribute to customer orientation are taken into account. Employees have an important place in this process of establishing relationships with customers and treating them as partners. Customers will perceive if employees are trying more than they expect to satisfy their needs (Hajjat, 2002). Also, employees' help in resolving a problem will augment their positive perception and add to perceived customer orientation. It is important that employees provide explanations about products/services in an understandable and comprehensive way, or as one interviewee noticed "...employees have to be highly educated about the products/services they offer. They need to know more than me about the product/service they are trying to sell. Also, they need to present its features and additional information in a way that lets me easily understand what they are trying to say...". Furthermore, employees should offer the products/services that suit customer's needs in the best possible way (Daniel & Darby, 1997; Thomas, Soutar & Ryan, 2001; Periatt, Lemay & Chakrabarty, 2004), so that customers can perceive that they are valuable to the organization. Furthermore, customers give credit to an organization that resolves complaints quickly and in uncomplicated manner (Egan & Shipley, 1995; Hajjat, 2002). This has been observed as "...salespersons are polite and listen to your complaints (if you have some) and will try (or will successfully fake) that they will try to help you and resolve what you are asking them...", as well as "... to quickly, effectively and fairly resolve complaints. Some are very successful in this practice and don't complicate if you are returning some product ...for others, it will take ages before they solve your problem and, in meanwhile, the product will be so old that you will have to buy a new one...".

Customers can perceive employee behaviour through the below statements related with *friendly employees*:

My organization's employees try more that expected to satisfy customer needs.

My organization's employees always try to help me and resolve my problem.

If a question arises about the products/services that my organization offers, its employees give an explanation in an understandable way.

When I'm interested in my organization's products/services, I sense that its employees offer me something that suits my needs the best.

I sense that my organization resolves complaints quickly and in an uncomplicated way.

The above mentioned statements are considered to form the perceived customer-orientation scale. They are grouped according to different aspects that give additional insight to customer orientation. Hence, these groups are: *products/services that satisfy customers*, *friendly employees* and *value adding relationships*. This scale is further refined through pilot research. The refined and adapted scale is consequently used in the research.

Organizations increasingly perceive customers as assets that provide value to them. In order to encourage customers to continue doing business, an organization starts to establish relationships with them. In this process, it is important to offer customers added value through products/services and to treat them like partners. By building relationships with customers, an organization also improves its knowledge about them. This knowledge comprises information about customer behaviour, their needs and desires, as well as their satisfaction. Hence, an organization that establishes relationships with customers has enough information to offer and adapt products/services that will satisfy them. In this process of establishing and building relationships, employees' efforts are quite important, because employee relationships with customers add value to the whole process and contribute to the perception of a customer-oriented organization. Based on the literature review, it is possible to conclude that a variety of elements influence perceived customer orientation. If these elements are absent, customers will not perceive that an organization is customer oriented. Furthermore, change in each dimension changes perceived customer orientation. Therefore, perceived customer-orientation dimensions are a set of distinct causes which are not interchangeable, and each dimension captures a specific aspect of the construct's domain (Diamantopoulos, Riefler and Roth, 2008). The nomological net of indicators represents an issue in validating formative constructs. According to Diamantopoulos (2011), some authors argue that context specificity is a major weakness of formative constructs due to their underidentification. But, the author also points out that all constructs, reflective or formative, include certain context specificity in their elaboration. This characteristic is especially expressed in formative models because they should be nested into MIMIC models due to their underidentification if taken in isolation (Diamantopoulos & Winkelhofer, 2001). The nomological set of indicators will be addressed in a subsequent part of the research. Based on the criteria for formative models – direction of causality between the construct and its indicators, the noninterchangeability of indicators, covariation among the indicators, and a nomological net of the indicators (Jarvis, MacKenzie & Podsakoff, 2003) – the perceived customer-orientation construct should be modelled as a formative construct. An organization that is customer orientated will take care about its customers and provide them value. If customers perceive this value as positive, they will want to stay longer with an organization and consequently form a relationship. As Leverin and Liljander (2006) argue, customer orientation is the basis of relationship marketing. Furthermore, relationship marketing is oriented towards establishing, building and enhancing relationships with customers. Therefore, long-term relationships are established. An

organization will build relationships with relationship-prone customers. These customers will buy more and buy diverse products/services from an organization, as well as recommend it to others. As a consequence, customer loyalty will emerge. So, as Dean (2007) points out, customer focus is enhancing customer loyalty.

#### 2.2.1.2 Operationalization of customer loyalty

In this research, **customer loyalty** is explored as a three-dimensional construct consisting of attitudinal and behavioural loyalty (Dick & Basu, 1994; Li & Petrick, 2008; Raimondo, Miceli & Costabile, 2008), as well as cognitive loyalty (Bloemer, de Ruyter & Wetzels, 1999; Jones & Taylor, 2007; Rundle-Thiele, 2005).

Early research phases considered customer loyalty as part of behavioural intentions (Fornell, 1992) and connected customer loyalty with its behavioural dimension (Fornell et al., 1996; Griffin, 1997). This loyalty dimension was explored as repeat patronage (Dick & Basu, 1994; Jones & Taylor, 2007) or intention to buy or use a product/service more often (Berry & Parasuraman, 1997; Bloemer & Odekerken-Schröder, 2007). On the other hand, customer loyalty as attitude was considered. This attitudinal loyalty has roots in its conceptualization as a part of commitment to a product/service/brand (Garbarino & Johnson, 1999) or commitment to creating value for customers (Reichheld, 1996). It is operationalized as a favourable attitude towards a product/service/brand/customer (Dick & Basu, 1994). A two-dimensional customer loyalty construct consisting of attitudinal and behavioural loyalty emerged (Dick & Basu, 1994; Oliver, 1999). Later on, researchers added the third dimension indicated as cognitive loyalty (Bloemer, de Ruyter & Wetzels, 1999) and conceptualized as preference above alternatives or preference based on brand beliefs (Oliver, 1999), as well as conscious attributes evaluation or conscious evaluation of rewards and benefits associated with repatronage (Lee, Cunningham, 2001 in Jones & Taylor, 2007). Cognitive loyalty is often operationalized as top of the mind product/service, customers' first choice, price tolerance, exclusive consideration or identification (Bloemer, de Ruyter & Wetzels, 1999; Jones & Taylor, 2007).

Repeated buying of an organization's products/services is considered to indicate customer loyalty. These buying intentions represent the behavioural customer loyalty dimension. In this dimension, customers continuously use or buy an organization's products/services (Aydin & Özer, 2005). Hence, it is manifested through products/services preference (Zeithaml, Berry & Parasuraman, 1996) or future repatronage intentions (Aydin & Özer, 2005). Moreover, customers want to use diverse products/services from an organization (Sublaban & Aranha, 2009). Furthermore, customers that manifest behavioural loyalty often form the opinion that their current service provider offers more benefits than competitors (Li & Petrick, 2008). Some of the statements from the literature are utilized in the research in original form, while others, BCL2 and BCL5, are adapted to the mobile telecommunications context.

Hence, *behavioural loyalty* is operationalized through the following:

I will continue using my organization's products/services. (BCL1)

I consider my organization to be my first choice in buying this kind of products/services. (BCL2)

I intend to use other products/services from my organization. (BCL3)

If I bought a new product/service, I would prefer ones from my organization. (BCL4)

I believe my organization provides more benefits than other organizations. (BCL5)

An organization that wants to have true loyal customers needs to reinforce the attitudinal component of customer loyalty. This loyalty dimension emerges from customer commitment to a certain product/service (Garbarino & Johnson, 1999). Customers that experience attitudinal loyalty will consider themselves to be loyal (Leverin & Liljander, 2006) and are going to be dedicated in doing business with an organization (Dewitt, Nguyen & Marshal, 2008). Furthermore, a sense of pride when using products/services emerges (Johnson, Garbarino & Sivadas, 2006). As a consequence, attitudinally loyal customers form strong relationships with certain organizations (Hennig-Thurau, Gwinner & Gremler, 2002). This establishes a positive attitude and contributes to customer loyalty. Referring to the literature, statements used in the service research are adapted to the mobile telecommunications context and used in the research.

Hence, *attitudinal loyalty* is presented through:

I consider myself to be a loyalty customer of my organization. (ACL1)

I consider myself to be dedicated to doing business with my organization. (ACL2)

I am proud to use my organization. (ACL3)

I have a very strong relationship with my organization. (ACL4)

Cognitive loyalty represents a conscious evaluation of costs and benefits from repatronage. It encompasses different dimensions, but, in this research, it is operationalized through insensitivity to price due to loyalty. Hence, customers will continue to do business with a service provider even if it increases prices (Dewitt, Nguyen & Marshal, 2008). Cognitively loyal customers are prepared to pay higher prices for benefits they receive (Han, Kwortnik & Wang, 2008) and will continue to do business with an organization in spite of competitors' better prices or discount (Dewitt, Nguyen & Marshal, 2008). Consequently, customers will not perceive price as an important factor in their decision to continue doing business with an organization (Jones & Taylor, 2007). Following from the literature, statements from the service context are adapted to the mobile telecommunications context and used in the research.

Therefore, *cognitive loyalty* is presented through:

If a competitor were to offer better prices or a discount, I would switch. (R) (CCL1)

If my organization were to raise its prices, I would continue to be a customer. (CCL2)

Price is not an important factor in my decision to remain with my organization. (CCL3)

I am willing to pay more than I would pay to others to use my organization's products/services. (CCL4)

Behavioural, attitudinal and cognitive customer loyalty scales were also tested through pilot research. This was done to explore whether different dimensions are adequately operationalized.

To explore the relationship between customer orientation and customer loyalty, the mobile telecommunications sector was used. This sector is characterized by high levels of competition, diffuse information among customers about offers and high customer involvement (Raimondo, Miceli & Costabile, 2008). In the Croatian market, there are three different mobile operators (T-mobile, Tele2, and Vipnet) and two mobile services (Tomato and Bonbon). In 2010, T-mobile, Vipnet and Tele2 had market shares of 45.60%, 42.80% and 11.60%, respectively (HACOM-Market share by subscriber, 2011). The mobile operator with the longest presence on the Croatian mobile telephone market since 1996 is T-mobile (HT-Basic data, 2011), followed by Vipnet that entered the market in 1999 (Vipnet-About us, 2011), and Tele2, in 2005 (Tele2-About Tele2, 2011). The mobile services Tomato, whose owner is Vipnet, and Bonbon of T-mobile entered the mobile telephone market in June 2006 (Index-Tomato starts, 2011) and in October 2010 (HT-Market overview for 2010, 2011), respectively.

Furthermore, the penetration rate in 2010 reached 143.45 %, and it is experiencing continuous growth (HACOM-Mobile network penetration rate, 2011). A high penetration rate indicates that mobile phone users have more than one mobile telephone line, from diverse or the same mobile telephone operators. Hrvatski telekom and Vipnet are among top organizations in Croatia with earned income of 522 million € (HT-Business report for 2010, 2011) and 451.9 million €, respectively (Vipnet-Press release 23.02.2011, 2011).

In addition, the mobile telecommunications sector is characterized by continuous transactions (Gerpott, Rams & Schindler, 2001). Hence, long-term relationships are established. These relationships establish preconditions for developing customer loyalty.

The perceived customer-orientation scale and scales relating to behavioural, attitudinal and cognitive customer loyalty were tested through pilot research. In the pilot research, as well as in research conducted later on, expressions, such as “my organization” were reformulated and adapted to the mobile telecommunications setting. So, instead of “my organization“, the expression “my mobile operator”, abbreviated to MMO, is used in the research. This abbreviation is repeated after every set of questions, so that respondents are not confused with its occurrence. Also, statements referring to perceived customer orientation and customer loyalty were adapted to services and mobile telecommunications. The results of pilot research are presented in the next section.

### **2.2.2 Pilot research**

A sound step towards using any scale in a research is to conduct a pilot research. Through pilot research, operationalized scales are tested to see whether all variables assumed to pertain

to a certain construct in practice really do so. Furthermore, the proposed perceived customer-orientation scale is tested and further refined.

Pilot research took place in the period between February 14 and March 23, 2010. The sample consisted of 114 graduate students from the Faculty of Economics of Rijeka. An Internet questionnaire was built with Limesurvey. Ferber (1977) points out that a convenient sample of students can be used for pilot testing. Furthermore, the author asserts that the use of a convenient sample is possible if pilot research is explorative and if questions are relevant to students. Hence, a convenient student sample can be used as the research topic is known to them. Mobile communications are part of students' everyday lives, so their opinion can be taken as relevant.

All tested statements were in 7-point Likert scale form. In addition to questions related to perceived customer orientation and behavioural, attitudinal and cognitive customer loyalty, some demographic and mobile operator usage questions were also added to the questionnaire.

The remaining variables in the research were selected with consideration to reliability analysis and with the aim of achieving greater alpha reliability. The first selection criterion was item-to-total correlation. According to Hair, Black, Babin, Anderson, & Tatham (2006), values above 0.5 are acceptable. Alongside with this criterion, those variables whose removal yielded higher alpha reliability were also deleted. The second selection criterion was factor loadings in explorative factor analysis using Common factor analysis, that is, the Principal Axis Factoring (PAF) method in SPSS. Also, oblimin rotation and Kaiser Normalization were used to achieve theoretically meaningful factors. After factor analysis, factors with minimal factor loadings of 0.4 were kept, in accordance with Hair et al. (2006). These two selection criteria are used for both the perceived customer-orientation scale and customer loyalty dimensions testing.

The number of retained variables in a given construct should be three to four variables per latent construct for structural modelling purposes (Diamantopoulos and Sigauw, 2000). With this in mind, it was decided to retain at most five variables per construct. In the perceived customer-orientation scale, all variables that had communalities greater than 0.4 and did not crossloaded were kept. Hence, five variables were excluded because they failed to satisfy the afore mentioned criterion. As a result, 18 variables were kept. Hence, as this is a testing phase, keeping more variables in the perceived customer-orientation scale will ensure that some elements are not omitted because of sample characteristics. Therefore, further testing is needed to ensure its applicability for researching customer orientation from the customers' viewpoint.

Pilot research results are presented in the below tables. Testing the KMO measure of sampling adequacy and conducting the Bartlett test of sphericity revealed that both preconditions are satisfied, as KMO was above the accepted level and Bartlett test was



significant. Table 6 presents perceived customer-orientation scale results and Table 7, pilot research results for customer loyalty dimensions.

Taking into account all explained criteria, a perceived customer-orientation scale was developed. The proposed 23 statements that pertained to the perceived customer-orientation scale were further refined through pilot research. Using communalities size, non-existence of crossloadings and a high item-to-total correlation criterion in explorative factor analysis, five statements were excluded from the analysis. These five statements failed to satisfy minimal criteria according to Hair et al. (2006) and were excluded from further analysis. Hence, after data collection and analysis, 18 statements were retained and used in the subsequent research. The proposed perceived orientation scale items loaded as a four factor solution and explained 67.73% of total variance. As mentioned before, the scale needs additional testing to confirm its characteristics.

Table 6. Factor and Reliability Analysis with Construct Descriptives for Perceived Customer-Orientation Scale (Pilot Research Results)

Items	Value adding relationships	Products/ services that satisfy customers	Friendly employees	Caring about customers	Communality
MMO treats me as if I'm exceptional. (PCO8)	0.803				0.554
I sense that MMO offers added value. (PCO20)	0.754				0.632
When I'm interested in MMO products/services, I sense that its employees are offering me something that suits my needs the best. (PCO18)	0.684				0.540
Based on information I get from MMO, I can create realistic expectations about products/services. (PCO19)	0.648				0.504
MMO practice creates trust. (PCO22)	0.622				0.687
I sense that MMO treats me like partner. (PCO10)	0.583				0.514
I sense that MMO cares about my satisfaction. (PCO14)	0.560				0.729
I sense that MMO resolves complaints quickly and in an uncomplicated way. (PCO15)	0.550				0.524
MMO develops collaborative relationship with consumers. (PCO12)	0.426				0.547
MMO is creative in developing new offerings intended to satisfy customer needs. (PCO4)		0.856			0.779

(table continues)

(continued)

Items	Value adding relationships	Products/ services that satisfy customers	Friendly employees	Caring about customers	Communality
I'm often thrilled with the new products/services MMO introduces. (PCO3)		0.438			0.446
I sense that MMO satisfies my needs. (PCO16)		0.305			0.555
MMO employees always try to help me and resolve my problem. (PCO7)			0.799		0.690
MMO employees try more than expected to satisfy customer needs. (PCO6)			0.620		0.472
If I have a question related to using MMO product/services, employees give an explanation in an understandable way. (PCO13)			0.603		0.597
MMO respects my needs. (PCO2)				-0.807	0.747
I sense that MMO takes care of me. (PCO1)				-0.693	0.576
% explained variance	48.13	7.12	6.92	5.56	
Eigenvalues	8.663	1.281	1.246	1.001	
N	114	114	114	114	
M	35.70	18.36	14.65	8.20	
$\sigma$	9.550	4.112	3.248	2.274	
$\alpha$	0.915	0.821	0.784	0.781	

Note: MMO=my mobile operator; Rotation converged in 7 iterations.

Analysis shows that items used for operationalizing customer loyalty loaded as a three factor solution (see Table 7). Behavioural, attitudinal and cognitive dimensions of customer loyalty explain 70.77% of total variance. Furthermore, it was decided to retain some items that had low communality, lower than 0.4, to explore in the main research whether they are correctly operationalized as pertaining to certain customer loyalty dimensions. This was decided as their factor loadings were above 0.45 and their item-to-total correlations, above 0.5 as Hair et al. (2006) propose.

Table 7. Factor and Reliability Analysis with Descriptives for Customer Loyalty Dimensions  
(Pilot Research Results)

Items	Behavioural loyalty	Attitudinal loyalty	Cognitive loyalty	Communality
If I bought a new mobile telephone line, I would prefer that of MMO. (BCL4)	-0.911			0.838
I will continue to use MMO products/services. (BCL1)	-0.887			0.828
I consider MMO my first choice in buying mobile telephone services. (BCL2)	-0.745			0.653
I believe MMO provides more benefits than other mobile operators. (BCL5)	-0.510			0.487
I intend to use other products/services from MMO. (BCL3)	-0.451			0.279
I have a very strong relationship with MMO. (ACL4)		0.872		0.720
I am proud to use MMO. (ACL3)		0.789		0.753
I consider myself to be dedicated to doing business with MMO. (ACL2)		0.760		0.812
I consider myself to be a loyal customer of MMO. (ACL1)		0.738		0.671
Price is not an important factor in my decision to remain with MMO. (CCL3)			0.767	0.546
If MMO were to raise its prices, I would continue to be a customer. (CCL2)			0.693	0.650
If a competitor were to offer better prices or a discount, I would switch. (R) (CCL1)			0.665	0.540
I am willing to pay more than for others to use MMO products/services. (CCL4)			0.533	0.384
% explained variance	8.84	49.57	10.48	
Eigenvalues	1.237	6.940	1.467	
N	114	114	114	
M	22.92	16.88	12.14	
$\sigma$	6.066	5.432	4.608	
$\alpha$	0.875	0.916	0.801	

Note: MMO=my mobile operator; Rotation converged in 11 iterations.

With the aim to test if the perceived customer-orientation scale can serve as a measurement instrument for exploring an organization's customer orientation from the customer's point of view, a pilot research was conducted. Following pilot research results, the proposed scale was refined. This was done according to criteria suggested by Hair et al. (2006). Pilot research was also conducted to test whether customer loyalty can be operationalized as a three dimensional construct. Pilot research results reveal that it is appropriate for customer loyalty to be operationalized as a multidimensional construct consisting of behavioural, attitudinal and cognitive loyalty.

The refined versions of the perceived customer-orientation scale, as well as the customer loyalty multidimensional perspective, were further used in the research. In addition, the questionnaire consisted of several questions pertaining to respondents' demographic profile, as well as of questions related to mobile telephone operator usage. In the next section, data collection process is described.

### **2.2.3 Data collection process**

After the pilot research, a final questionnaire was prepared. The research questionnaire consisted of three parts. The first part included constructs of the research interest: perceived customer orientation, as well as behavioural, attitudinal and cognitive dimensions of customer loyalty. The questions were given in 7-point Likert scale form, with 1 indicating "completely disagree" and 7, "completely agree".

The second part of the research survey incorporated questions concerning mobile operator usage, such as who is their primary (most frequently used) mobile operator, length of the relationship with the primary mobile operator, monthly spending, do they use pre-paid or post-paid service, and do they use additional services. The third part consisted of the respondents' demographical characteristics: gender, household income, number of household members, education level, status, age and place of residence.

Empirical research took place from May 6 to July 13, 2010. The sample frame included 796 persons. These persons were mostly full-time and part-time undergraduate and graduate students of the University of Rijeka, Faculty of Economics. In addition, personal contacts were also included. As the research explores mobile telecommunications, eligible respondents are all mobile telecommunication users. Furthermore, mobile telecommunications depend heavily upon high-tech technologies. Hence, the young population is a heavy user of modern technologies; it is acceptable that students, representatives of the young population, represent the research base.

As mentioned earlier, every participant was sent an e-mail with a link and an invitation for participation in the research, and was asked to send an e-mail with questionnaire link to at least five friends and acquaintances. Therefore, a snowball technique was used to expand the number of units in the sample. The snowball technique is mostly used when respondents are hard to identify (Saunders, Lewis & Thornhill, 2009). Because the response rate to internet questionnaires is quite small, it was assumed that by using the snowball technique additional respondents would be gained. Students mostly belong to generation Y, a generation that has been using the Internet since childhood. Therefore, it is acceptable to use e-mail as a communication media and conduct an online survey. In addition, to gain access to the older population, printed versions of the questionnaire were distributed to participants of educational programmes for seniors at the University of Rijeka.

It is assumed that a part of initial contacts did not answer the questionnaire, that some of them sent the questionnaire link to more than five people, and that some did not forward it at all. Hence, the final number of fully answered questionnaires is 923.

### **3 RESULTS OF THE EMPIRICAL RESEARCH**

Several analyses were conducted to test the stated hypotheses and the proposed model. The statistical programs SPSS ver.19 and LISREL ver.8.80 were used for analysis.

#### **3.1 Sample characteristics**

The starting point in presenting the results of empirical research is to explore and analyse sample characteristics. First, the characteristics of the perceived customer-orientation scale are analysed, as well as the behavioural, attitudinal and cognitive customer loyalty dimensions. Then, the respondents' demographic and mobile telecommunication habits are analysed.

Common factor analysis with oblimin rotation and Kaiser Normalization was employed on the data collected. Regarding the Kaiser-Gutman criterion, factor analysis suggests two factor solutions, because the third factor has an eigenvalue of 0.937 and explains 6.69% of variance. When taking into account the Scree plot criterion, a four-factor solution is present. Furthermore, the literature review indicates that a three-factor solution is acceptable for the perceived customer-orientation scale. Seeing that the eigenvalue of the third factor is close to 1, it was decided to follow the literature review suggestions and accept that the perceived customer-orientation scale encompasses three factors.

In consequent analysis, it was found that two of the items cross-loaded, and one had small communality, close to 0.4. So, they were excluded from further analysis. The KMO measure of sampling adequacy and the Bartlett test of sphericity are above the accepted level of 0.7 and significant, respectively. Furthermore, 915 respondents answered all questions pertaining to perceived customer orientation. As the perceived customer-orientation scale includes 14 items, the condition of having a five times greater number of observations than variables is also met. Results of the before mentioned analysis are presented in Table 8.

We have to notice that, in the pilot research, perceived customer-orientation scale factor analysis revealed four factors underpinning scale items. If this fourth factor labelled *caring about customers* is more profoundly explored, we see that it is conceptually very similar to another factor labelled *products/services that satisfy customers*. Therefore, it is acceptable that they are further researched as one factor as suggested by the main research. This is also in accordance with construct operationalization where these items are argued to form one construct. Additionally, because the perceived customer-orientation scale is just a proposal and is being tested for the first time, further analysis is needed. The literature review suggests that it is more conceptually clear to distinguish between three factors in the perceived

customer orientation scale. Hence, it consists of *products/services that satisfy customers, friendly employees* and *value adding relationships*.

Furthermore, the item *I sense that MMO cares about my satisfaction* was not included in factor analysis. This was done because in subsequent analysis using structural equation modelling it is assumed that that item represents the essence of explored formative construct (Diamantopoulos & Winklhofer, 2001), and it is used for formative model validation purposes.

Table 8. Descriptive Statistics, Factor Loadings and Reliability Analysis for Perceived Customer-Orientation Scale

Item	N	Mean	$\sigma$	Factor loading	Communality	Item to total correlation
<b>Products/services that satisfy customers</b>						
Products/services of MMO are tailored to customers' requirements. (PCO5)	915	4.68	1.364	0.795	0.623	0.705
MMO is creative in developing new offerings intended to satisfy customers' needs. (PCO4)	915	4.82	1.395	0.777	0.558	0.666
I sense that MMO satisfies my needs. (PCO16)	915	4.56	1.433	0.547	0.569	0.684
MMO respects my needs. (PCO2)	915	4.25	1.451	0.545	0.514	0.652
MMO practice creates trust. (PCO22)	915	4.48	1.471	0.472	0.605	0.665
<b>Friendly employees</b>						
MMO employees always try to help me and resolve my problem. (PCO7)	915	5.02	1.435	0.950	0.762	0.735
If I have a question related to using MMO product/services, employees give an explanation in understandable way. (PCO13)	915	5.36	1.329	0.723	0.535	0.644
MMO employees try more than expected to satisfy customers' needs. (PCO6)	915	4.51	1.504	0.612	0.525	0.651
I sense that MMO resolves complaints quickly and in an uncomplicated way. (PCO15)	915	4.33	1.486	0.452	0.453	0.596
When I'm interested in MMO products/services, I sense that its employees offer to me something that suits my needs the best. (PCO18)	915	4.69	1.372	0.394	0.483	0.610
<b>Value adding relationships</b>						
MMO treats me as if I'm exceptional. (PCO8)	915	3.09	1.510	-0.836	0.742	0.760
I sense that MMO treats me like a partner. (PCO10)	915	3.00	1.496	-0.827	0.682	0.751
I sense that MMO offers added value. (PCO20)	915	3.77	1.452	-0.540	0.556	0.652
MMO develops collaborative relationships with consumers. (PCO12)*	915	4.28	1.481	-0.361	0.570	0.639

Note: MMO=my mobile operator; \*item cross-loaded on product/services that satisfy customers factor with a 0.335 factor score and have 0.531 item-to-total correlation if included in that factor. Conversely, on value adding relationships, the factor score was -0.361, somewhat higher, and item-to-total correlation, if included in that factor, was 0.639. Hence, it was decided to include it in the factor value adding relationships; Rotation converged in 14 iterations.

The retained factors in the perceived customer-orientation scale are further explored. Their characteristics are presented in Table 9. Hence, descriptive statistics, number of items in a factor, number of observations, average value, standard deviation, % of variance explained, eigenvalue from factor analysis, Cronbach’s alpha reliability and correlations among scale factors are presented.

It can be noticed that high and statistically significant ( $p < 0.01$ ) correlations exist among the three perceived customer-orientation factors. Furthermore, they together explain 66.675% of total variance in the data. Cronbach’s alpha reliability for all perceived customer orientation elements is rather high. It is accepted that all values of alpha reliability above 0.7 denote that the items included represent the same construct. So, it can be concluded that these factors represent quality measures of the research instrument (Churchill, 1979).

Table 9. Perceived Customer-Orientation Scale Characteristics

Scale	n	N	M	$\sigma$	$\alpha$	% of variance explained	Eigenvalue	Products/services that satisfy customers	Friendly employees	Value adding relationships
Products/services that satisfy customers	5	919	22.77	5.680	0.858	51.175	7.165	1		
Friendly employees	5	918	23.90	5.579	0.841	8.810	1.233	0.683**	1	
Value adding relationships	4	920	14.14	4.962	0.856	6.689	0.937	0.734**	0.637**	1

Note: \*\*  $p < 0.01$  for all correlations

The characteristics of customer loyalty dimensions – behavioural, attitudinal and cognitive loyalty - are also explored. Common factor analysis with oblimin rotation and Kaiser Normalization was used in analysing the data. Oblique rotation is used because factors are conceptually linked and this assumes that they are correlated. Furthermore, oblique rotation is also used when the goal of factor analysis is to obtain several theoretically meaningful factors or constructs. Hence, as Hair et al. (2006) suggest, oblique rotation should be used instead of orthogonal. Factor analysis suggests keeping two factors, based on the Kaiser-Gutman criterion, as the third factor has an eigenvalue of 0.908. The Scree plot and the literature review suggest that three factors are present among customer loyalty dimensions. In subsequent analysis, it is noted that one item has a loading score lower than 0.30 and communality of 0.152, while the other has communality below 0.4. As a consequence, it was decided to exclude them from further analysis.

In testing preconditions, the KMO measure of sampling adequacy is 0.908, that is, above the accepted level of 0.7. Additionally, the Bartlett test of sphericity is found to be significant. Analysis included 917 fully answered questionnaires regarding customer loyalty dimensions. As behavioural, attitudinal and cognitive dimensions encompass 11 items, the criterion by which there must be a five times greater number of observations than variables in the research is also met. Factor analysis results are presented in Table 10.

Table 10. Descriptive Statistics, Factor Loadings and Reliability Analysis for Customer Loyalty Dimensions

Item	N	Mean	$\sigma$	Factor loading	Community	Item to total correlations
<b>Attitudinal loyalty</b>						
I consider myself to be dedicated to doing business with MMO. (ACL2)	918	4.50	1.577	0.995	0.855	0.838
I consider myself to be a loyal customer of MMO. (ACL1)	918	4.83	1.530	0.811	0.634	0.742
I have a very strong relationship with MMO. (ACL4)	918	3.91	1.569	0.716	0.716	0.795
I am proud to use MMO. (ACL3)	918	4.03	1.581	0.652	0.640	0.752
<b>Cognitive loyalty</b>						
Price is not an important factor in my decision to remain with MMO (CCL3)	918	2.82	1.688	0.869	0.652	0.693
If MMO were to raise its prices, I would continue to be a customer. (CCL2)	918	3.19	1.647	0.745	0.673	0.711
I am willing to pay more than for others to use MMO products/services. (CCL4)	918	3.01	1.545	0.663	0.578	0.661
<b>Behavioural loyalty</b>						
If I bought a new mobile telephone line, I would prefer MMO. (BCL4)	918	4.51	1.706	-0.946	0.750	0.777
I consider MMO my first choice to buy mobile telephone services. (BCL2)	918	4.68	1.543	-0.755	0.672	0.750
I will continue using MMO products/services. (BCL1)	918	4.75	1.421	-0.726	0.610	0.719
I believe MMO provides more benefits than other mobile operators. (BCL5)	918	4.08	1.633	-0.566	0.545	0.664

Note: MMO=my mobile operator; Rotation converged in 7 iterations.



Additional analysis was conducted to further research behavioural, attitudinal and cognitive loyalty. Factor characteristics are presented in Table 11. Hence, descriptive statistics, number of items in a factor, number of observations, average value, standard deviation, % of variance explained, eigenvalue from factor analysis, Cronbach's alpha reliability and correlations among scale factors are provided.

The customer loyalty dimensions' analysis shows that Cronbach's alpha reliability is above the accepted level of 0.7, for all constructs. This indicates that they indeed represent adequate customer loyalty dimensions. These three factors together explain 75.438% of variance in the data. Furthermore, correlations among behavioural, attitudinal and cognitive customer loyalty dimensions are rather high and are statistically significant.

Table 11. Customer Loyalty Dimensions' Characteristics

Scale	n	N	M	$\sigma$	$\alpha$	% of variance explained	Eigenvalue	Attitudinal loyalty	Cognitive loyalty	Behavioural loyalty
Attitudinal loyalty	4	921	17.25	5.508	0.903	55.165	6.068	1		
Cognitive loyalty	3	920	9.02	4.212	0.829	12.034	1.324	0.502**	1	
Behavioural loyalty	4	919	18.02	5.364	0.871	8.239	0.906	0.699**	0.540**	1

Note: \*\*  $p < 0.01$  for all correlations

After analysing research constructs, perceived customer orientation and behavioural, attitudinal and cognitive customer loyalty, and exploring their characteristics, it is necessary to take a closer look at respondents. Their demographic and mobile telecommunication usage characteristics are analysed. The analysis encompasses 923 respondents. Their demographic profile is presented in Table 12 and Table 13.

These tables (Table 12 and Table 13) show that respondents answering the questionnaire were mostly women (78%), and were in the 19-21 age group (44.9%) followed by respondents in the 21-24 age group (21.3%). With regard to educational levels, most of the respondents have finished high school (45.9%) or undergraduate study (36.7%). Therefore, it is not surprising that they are mostly students (70%), although some of them (24.9%) are also employed.

Table 12. Respondents' Gender and Age

Item	Frequency	%
<b>Gender</b>		
male	202	22
female	717	78
missing	4	
<b>Age</b>		
15-18	5	0.5
19-21	414	44.9
21-24	196	21.3
25-30	128	13.9
31-37	89	9.7
38-45	45	4.9
46-54	21	2.3
55-65	20	2.2
older than 66	4	0.4
missing	1	

Table 13. Educational Level and Status

Item	Frequency	%
<b>Education level</b>		
elementary school	1	0.1
high school	423	45.9
undergraduate	338	36.7
graduate	127	13.8
post graduate and PhD	32	3.5
missing	2	
<b>Status</b>		
scholar	1	0.1
student	643	70
unemployed	29	3.2
employed	229	24.9
retired	14	1.5
other	2	0.2
missing	5	

In the following analysis, respondents' household characteristics are explored. Household income is determined as above average, below average and average income. Average income is supposed to be around 5300 HRK, that is, close to 720 Euro (CBS – Monthly statistical report, 2010). In addition, the number of household members, as well as place of residence and number of inhabitants in the place of residence are explored. This is analyzed in the following tables (Table 14 and Table 15).

Most of the respondents consider themselves to have average household incomes (83.2%), and they live in households with four members. Furthermore, the majority of them are from the central part of Croatia (34.4%), and Kvarner and the Kvarner islands (30.8%). Most of our

respondents (21.5%) live in towns with more than 75,000 inhabitants, although a large part of them live in small towns with 2000-5000 inhabitants (17.6%).

Table 14. Respondents' Level of Income and Number of Household Members

Item	Frequency	%
<b>Household income</b>		
above average	86	9.3
average	765	83.2
below average	69	7.5
missing	3	
<b>Number of household members</b>		
two or less	118	12.8
three	202	22
four	406	44.1
five or more	194	21.1
missing	3	

Table 15. Place of Residence and Number of Inhabitants in Place of Residence

Item	Frequency	%
<b>Place of residence</b>		
North Croatia	79	8.6
Lika	40	4.3
Gorski Kotar	26	2.8
Kvarner and Kvarner islands	284	30.8
Dalmatia	45	4.9
Istria	91	9.9
Slavonia	38	4.1
Central Croatia	317	34.4
Other	2	0.2
missing	1	
<b>Inhabitants number in place of residence</b>		
up to 2000	157	17
2000-5000	162	17.6
5000-10000	126	13.7
10000-25000	128	13.9
25000-75000	151	16.4
more than 75000	198	21.5
missing	1	

The relationships between respondents' demographic characteristics and research constructs were also explored. Analysis of variance (ANOVA) was used. The Welch test was used in cases where ANOVA assumptions were violated, that is, where the homogeneity of variances test was found to be significant. Furthermore, demographic characteristics were checked for outliers, which were consequently removed. Analysis results are presented in Table 16.

In the following table, only statistically significant F-ratios are presented. Analysis shows that, depending on different respondent characteristics, some statistically significant differences are present among perceived customer-orientation dimensions and among behavioural, attitudinal and cognitive customer loyalty. As a result, respondent characteristics cause differences in replies. Some research constructs are under the influence of a vast number of demographic characteristics, while others are less prone to their influence.

Table 16. Respondents' Demographic Characteristics with Perceived Customer Orientation and Customer Loyalty Dimensions

Dimensions	Gender	Household income	No. of household members	Education level	Status	Age	Place of residence	Inhabitants no. in place of residence
Products/services that satisfy customers		F <sub>(2,913)</sub> = 4.267*	F <sub>(3,912)</sub> = 4.208**	F <sub>(4,911)</sub> = 7.042**	F <sub>(3,907)</sub> = 5.177**	F <sub>(8,909)</sub> = 3.615**	F <sub>(7,908)</sub> = 2.197*	F <sub>(5,912)</sub> = 3.467**
Friendly employees	F <sub>(1,912)</sub> = 5.067*		F <sub>(3,911)</sub> = 3.545*					
Value adding relationships	F <sub>(1,914)</sub> = 10.094**		F <sub>(3,913)</sub> = 5.495**	F <sub>(4,912)</sub> = 6.534**	F <sub>(3,908)</sub> = 6.680**	F <sub>(8,910)</sub> = 5.030**		F <sub>(5,913)</sub> = 5.880**
Behavioural loyalty	W <sub>(24,162)</sub> = 0.043*					W <sub>(24,166)</sub> = 3.920**		
Attitudinal loyalty	F <sub>(1,915)</sub> = 16.947**			F <sub>(4,913)</sub> = 8.179**			F <sub>(7,910)</sub> = 3.046*	F <sub>(5,914)</sub> = 2.971*
Cognitive loyalty								

Note: \* p<0.05, \*\*p<0.01

Categories: Gender=male, female; Household income=above average, average, below average; number of household members=two or less, three, four, five or more; Education level=elementary school, high school, undergraduate, graduate, postgraduate, PhD; status=scholar, student, unemployed, employed, retired, other; age groups= 15-18, 19-21, 21-24, 25-30, 31-37, 38-45, 46-54, 55-65, older than 66; place of residence=North Croatia, Lika, Gorski Kotar, Kvarner and the Kvarner islands, Dalmatia, Istria, Slavonia, Central Croatia, Other; Number of inhabitants in place of residence = up to 2000, 2000-5000, 5000-10000, 10000-25000, 25000-75000, more than 75000.

Respondent characteristics associated with mobile telecommunication usage are also explored. Analysis reveals that the most frequently used primary mobile operator is T-mobile with 47.3%, followed by Vipnet with 34.3%. Vipnet's (Vipnet and Tomato) usage among respondents amounts to 36.9%. This is similar to official statistics where T-mobile is the market share leader with 45%, followed by Vipnet with 42%, and Tele2 with 11%. Most of the respondents have been using their primary mobile operator for more than 10 years and spend between 101-200 HRK monthly on mobile telecommunications. The additional service most often used is the MMS (multimedia message service). These characteristics are presented in subsequent Table 17 and Table 18.

Table 17. Primary Mobile Telephone Operator and Length of the Relationship

Item	Frequency	%
<b>Primary (most frequently used) mobile operator</b>		
T-mobile	437	47.3
Tele 2	145	15.7
Tomato	24	2.6
Vipnet	317	34.3
<b>Length of the relationship with primary mobile operator</b>		
less than 1 year	58	6.3
more than 1 and less than 3 years	134	14.6
more than 3 and less than 5 years	123	13.4
more than 5 and less than 7 years	151	16.4
more than 7 and less than 10 years	223	24.2
more than 10 years	231	25.1
Missing	3	

Table 18. Respondents' Monthly Spending on Mobile Telecommunications and Usage of Additional Services

Item	Frequency	%
<b>Monthly spending (in HRK)</b>		
up to 100 HRK/month	252	27.3
101 - 200 HRK/month	356	38.6
201 - 300 HRK/month	179	19.4
301 - 400 HRK/month	81	8.8
401 - 500 HRK/month	38	4.1
more than 501 HRK/month	16	1.7
Missing	1	
<b>Using additional services</b>		
Internet	362	
Wireless Internet	182	
MMS	611	
WebSMS	218	
Mobile paying	134	

When observing mobile telecommunications users, it was noticed that some of them use two or more different mobile telephone operators. Furthermore, in the Croatian mobile telecommunications sector, the mobile telecommunications penetration rate is 143.45% (HACOM-Mobile network penetration rate, 2011). Hence, this information is also explored.

Results demonstrate that somewhere around 50% of respondents use two mobile telecommunication operators. As high as 98% of Tomato pre-paid service users are also users of other mobile telecommunication operators. We can assume that this percentage is so high because this operator has limited service, only voice and SMS, but a low-price policy. Additionally, analysis indicated that around 4% of the respondents use three, or even four, mobile telecommunication operators simultaneously. Results are presented in Table 19.

Table 19. Respondents' Usage of Multiple Mobile Telephone Operators

Mobile telephone operator	Using a specific mobile telephone operator (in persons)	Using additional mobile telephone operators (in persons)	Using additional mobile telephone operators (in %)
T-mobile post-paid	256	115	45%
T-mobile pre-paid	286	143	50%
Tele2 post-paid	63	37	59%
Tele2 pre-paid	145	96	66%
Tomato pre-paid	45	44	98%
Vipnet post-paid	145	71	49%
Vipnet pre-paid	254	116	46%

The relationships between respondent mobile telecommunication operators' usage and research constructs are also explored. Analysis of variance (ANOVA), the t-test and the Welch test were used. Results of the analysis are presented in Table 20.

Customers in some mobile telecommunications characteristics, such as monthly spending in HRK and what primary mobile operator customers use, show no differences regarding perceived customer orientation scale and customer loyalty dimensions. But in length of the relationship and whether respondents use only one or more mobile telecommunication operators, some differences regarding perceived customer orientation elements and customer loyalty dimensions are present. Hence, customers' mobile telecommunication characteristics might influence the perception of some research constructs.

Table 20. Customers' Mobile Telecommunications Characteristics Compared to Perceived Customer Orientation Elements and Customer Loyalty Dimensions

Dimensions	Length of the relationship with primary mobile operator	Using one or more mobile operators
Products/services that satisfy customers		$t_{(369)}=2.595^{**}$
Friendly employees		
Value adding relationships		$t_{(917)}= 2.310^*$
Attitudinal loyalty		$t_{(918)}= 3.241^{**}$
Cognitive loyalty		$t_{(456)}=2.635^{**}$
Behavioural loyalty	$W_{(24,168)}=7.387^{**}$	$t_{(916)}= 2.920^{**}$

Note: \*  $p<0.05$ , \*\* $p<0.01$

Categories: Length of the relationship with primary mobile operator = less than 1 year, more than 1 and less than 3 years, more than 3 and less than 5 years, more than 5 and less than 7 years, more than 7 and less than 10 years, more than 10 years; Using one or more mobile operators=one, two or more

From the analysis made, it is evident that the perceived customer-orientation scale has three dimensions: *products/services that satisfy customers*, *friendly employees* and *value adding relationships*. Furthermore, we differentiate between behavioural, attitudinal and cognitive

dimensions of customer loyalty. It is evident that in the research sample the young population is in majority. But, as mentioned before, young people are very well acquainted with modern technology and are heavy users of modern technology. So, it is believed that their answers are eligible for making trustworthy conclusions. The mobile telecommunications habits of respondents are similar to the situation on the market. The respondents mostly use T-mobile, and around 50% of them use multiple mobile telecommunication operators.

An analysis of sample characteristics presents a starting point for conducting further analysis of the research constructs. Therefore, the nature of the relationship between perceived customer orientation and customer loyalty dimensions is tested.

### **3.2 Hypothesis testing**

For validation purposes, the original sample of 923 answered questionnaires was divided into two halves, as suggested by Diamantopoulos and Sigauw (2000). The sample is divided into two subsamples by applying procedure in SPSS for selecting a random sample of cases. The calibration sample and the validation sample consisted of 463 units and 460 units, respectively. This is related to cross-validation purposes, where one half of the sample, that is, the calibration sample, is used for specifying the model. The other half, that is, the validation sample, is later used for model cross-validation. In subsequent analysis, the calibration sample is used.

Before applying structural equation modelling, it is good to test the relationships between different constructs with multiple regressions. First, relationship between perceived customer orientation and its elements, *products/services that satisfy customers*, *friendly employees* and *value adding relationships*, are tested. Regression analysis is then conducted to explore the relationships between perceived customer orientation and behavioural, attitudinal and cognitive customer loyalty. Researched constructs in regression analysis are used as summated scales. These summated scales are based on items that loaded on different factors in explorative factor analysis (Table 8 and 10). They are formed as average values of included items.

Because perceived customer orientation is explored as a formative construct, an item that reflects perceived customer orientation, that is, *I sense that MMO cares about my satisfaction*, is used as a dependent variable in multiple regression. Its independents are its dimensions: *products/services that satisfy customers*, *friendly employees* and *value adding relationships*.

Analysis demonstrates that independent variables explain 60% of variance in perceived customer orientation. Furthermore, all relationships are positive. Hence, if customers appreciate *products/services that satisfy customers*, *friendly employees* and *value adding relationships* more, then perceived customer orientation will be perceived as more valuable. With the exception of the constant, all variables included have a statistically significant influence on perceived customer orientation. In formative models, multicollinearity can be a problem (Diamantopoulos, 2011). In the analysed sample, the highest VIF value is 2.567.

This indicates that all VIF values are below the suggested maximum acceptance level of 10. Or if a more stringent criterion is used, all VIF values are below the acceptance level of 3 (Petter, Straub & Rai, 2007 in Diamantopoulos, 2011; Kleinbaum, Kupper & Muller, 1988 in Diamantopoulos & Winklhofer, 2001). Results are presented in Table 21.

Table 21. Multiple Regression Analysis Results for Perceived Customer Orientation as a Dependent Variable

Variable	B	beta	t-value
Constant	-0.222 (0.195)		-1.141
Products/services that satisfy customers	0.330 (0.060)	0.261	5.523***
Friendly employees	0.372 (0.055)	0.295	6.824***
Value adding relationships	0.369 (0.053)	0.316	7.004***
R <sup>2</sup>	0.605 (0.912)		
R <sup>2</sup> (adj)	0.602		

Note: N=459, \*\*\*=p<0.001, Standard errors and standard error of estimate for R<sup>2</sup> are given in parenthesis. Method of including independent variables: enter method.

The relationships between perceived customer orientation and customer loyalty dimensions are also examined. In accordance with the proposed conceptual model, perceived customer orientation is posited to influence customer loyalty dimensions. In subsequent regression analysis, perceived customer orientation entered as an independent variable. In keeping with this analysis, perceived customer orientation was formed as the average value of its three dimensions. Consequently, dependent variables are behavioural loyalty (Model 1), attitudinal loyalty (Model 2) and cognitive loyalty (Model 3). Results are presented in Table 22.

Analysis revealed that perceived customer orientation can explain variance in customer loyalty dimensions to a relatively modest extent. All relationships between perceived customer satisfaction and behavioural, attitudinal and cognitive loyalty are positive and statistically significant. Even so, perceived customer orientation explains only 34%, 46% and 15% of variance, respectively, in different customer loyalty dimensions. These values are relatively low, especially for the cognitive loyalty dimension. Hence, even if some relationships explain only a small proportion of variance in researched constructs, all t-values are statistically significant. Therefore, they will be used in further analysis.



Table 22. Regression Analysis for Customer Loyalty Dimensions as Dependent Variables

Variable	Model 1			Model 2			Model 3		
	B	beta	t-value	B	beta	t-value	B	beta	t-value
Constant	1.317 (0.210)		6.266***	0.480 (0.199)		2.412**	0.746 (0.254)		2.941**
Perceived customer orientation	0.742 (0.048)	0.587	15.486***	0.889 (0.045)	0.675	19.572***	0.530 (0.058)	0.394	9.161***
R <sup>2</sup>	0.345 (1.072)			0.456 (1.019)			0.155 (1.298)		
R <sup>2</sup> (adj)	0.343			0.455			0.153		
N	458			459			459		

Note: \*\*\* p<0.001, \*\* p<0.05; Standard errors and standard error of estimate for R2 are given in parenthesis. Method of including independent variables: enter method.

Independent variable=perceived customer orientation.

To further explore these relationships, structural equation modelling will be conducted. Structural equation modelling is a set of statistical methods that explain the relationships between multiple variables (Hair et al., 2006). These structural equations encompass all the relationships between constructs, dependent and independent, in a model.

### 3.3 Model testing

In applying structural equation modelling in testing a model, an assessment of measurement and structural models has to be done. To begin with, covariance matrix has to be formed. A covariance matrix is formed using listwise deletion of observations with missing values in the researched items. Hence, the calibration sample that initially had 463 observations, now consisted of 458 observations with no missing values. The maximum likelihood method was used to estimate the parameters of the model. This method is widely used in practice, and it provides a number of indices that can be utilized for assessing the consistency of a model with the data (Diamantopoulos & Siguaw, 2000).

First, the measurement model has to be assessed. In this measurement model, assessment aims is to determine the validity and reliability of observed items used to represent constructs of the research interest (Diamantopoulos & Siguaw, 2000). Latent and manifest variables that were included in the model are presented in Table 23, and their non-standardized values in the measurement model in Table 24.

All indicator values, non-standardized loadings and error variances are statistically significant, that is, t-values are greater than 1.96 (Diamantopoulos & Siguaw, 2000). This, together with high values of squared multiple correlations (R<sup>2</sup>), is an indicator of reliability. From the previous table, it can be noticed that values of squared multiple correlations are in ratio from 0.467, the lowest value for the indicator *creative in new offer intended to satisfy customers*, up to 0.756, the highest value for the indicator *strong relationship*. The higher the R<sup>2</sup> value, the greater is the reliability of an indicator. This means that some manifest variables

are highly reliable, such as most of the variables in the attitudinal loyalty construct, while other manifest variables are reliable to a mediocre extent.

Table 23. Characteristics of Latent and Manifest Variables Included In the Tested Model (Calibration Sample)

Variables	Mean	$\sigma$	Standard error
<b><math>\xi_1</math> : Products/services that satisfy customers (<math>\alpha=0.858</math>)</b>			
x <sub>1</sub> : creative in new offerings intended to satisfy customers (PCO4)	4.79	1.435	0.061
x <sub>2</sub> : offering tailored to customers' requirements (PCO5)	4.65	1.384	0.057
x <sub>3</sub> : satisfy needs (PCO16)	4.54	1.448	0.058
x <sub>4</sub> : practice creates trust (PCO22)	4.49	1.456	0.059
x <sub>5</sub> : respects needs (PCO2)	4.19	1.438	0.061
<b><math>\xi_2</math> : Friendly employees (<math>\alpha=0.843</math>)</b>			
x <sub>6</sub> : employees in an understandable way explain how to use (PCO13)	5.33	1.324	0.057
x <sub>7</sub> : employees help and resolve problems (PCO7)	4.93	1.509	0.063
x <sub>8</sub> : employees offer something that suits needs the best (PCO18)	4.60	1.396	0.059
x <sub>9</sub> : employees try more than expected (PCO6)	4.42	1.556	0.065
x <sub>10</sub> : resolves complaints quickly and uncomplicated (PCO15)	4.34	1.503	0.064
<b><math>\xi_3</math> : Value adding relationships (<math>\alpha=0.852</math>)</b>			
x <sub>11</sub> : develops collaborative relationships (PCO12)	4.26	1.477	0.061
x <sub>12</sub> : offers added value (PCO20)	3.75	1.456	0.061
x <sub>13</sub> : exceptional treatment (PCO8)	3.07	1.523	0.061
x <sub>14</sub> : partner behaviour (PCO10)	2.95	1.490	0.061
<b><math>\eta_1</math> : Perceived customer orientation</b>			
y <sub>1</sub> : cares about satisfaction (PCO14)	4.32	1.447	0.048
<b><math>\eta_2</math> : Attitudinal loyalty (<math>\alpha=0.903</math>)</b>			
y <sub>2</sub> : a loyal customer (ACL1)	4.78	1.532	0.062
y <sub>3</sub> : dedicated to doing business (ACL2)	4.44	1.571	0.060
y <sub>4</sub> : proud to use (ACL3)	3.98	1.587	0.061
y <sub>5</sub> : strong relationship (ACL4)	3.84	1.584	0.060
<b><math>\eta_3</math> : Cognitive loyalty (<math>\alpha=0.829</math>)</b>			
y <sub>6</sub> : even if prices rise, continue to be a customer (CCL2)	3.14	1.663	0.068
y <sub>7</sub> : pay more than for others (CCL4)	3.00	1.521	0.065
y <sub>8</sub> : price not important in decision to remain (CCL3)	2.86	1.696	0.073
<b><math>\eta_4</math> : Behavioural loyalty (<math>\alpha=0.861</math>)</b>			
y <sub>9</sub> : continue on using (BCL1)	4.76	1.430	0.060
y <sub>10</sub> : first choice to buy services (BCL2)	4.68	1.543	0.060
y <sub>11</sub> : new mobile telephone line, prefer primary operator (BCL4)	4.48	1.698	0.068
y <sub>12</sub> : provides more benefits than others (BCL5)	3.99	1.624	0.069

Note:

For space saving purposes, in further analysis, short versions of latent constructs names will be used: Product= Products/services that satisfy customers; Employees= Friendly employees; Relationships= Value adding relationships; PCO= Perceived customer orientation; Attitude L= Attitudinal loyalty; Cognitive L= Cognitive loyalty; Behavioural L= Behavioural loyalty

Table 24. Measurement Equations for Variables' Non-standardized Values (Calibration Sample)

Equation	R <sup>2</sup>
X1=0.977* $\xi_1$	0.467
X2=1.035* $\xi_1$	0.557
X3=1.151* $\xi_1$	0.627
X4=1.113* $\xi_1$	0.583
X5=1.000* $\xi_1$	0.484
X6=0.807* $\xi_2$	0.480
X7=1.000* $\xi_2$	0.572
X8=0.881* $\xi_2$	0.520
X9=1.019* $\xi_2$	0.558
X10=0.912* $\xi_2$	0.481
X11=0.920* $\xi_3$	0.555
X12=0.887* $\xi_3$	0.529
X13=1.037* $\xi_3$	0.664
X14=1.000* $\xi_3$	0.644
Y2=0.878* $\eta_2$	0.587
Y3=1.000* $\eta_2$	0.731
Y4=1.013* $\eta_2$	0.725
Y5=1.030* $\eta_2$	0.756
Y6=1.128* $\eta_3$	0.738
Y7=0.922* $\eta_3$	0.585
Y8=1.000* $\eta_3$	0.552
Y9=0.803* $\eta_4$	0.608
Y10=0.932* $\eta_4$	0.705
Y11=1.000* $\eta_4$	0.662
Y12=0.829* $\eta_4$	0.498

The reliabilites of each indicator can be assessed by examining the unique proportion of variance in the indicator accounted for by the latent construct (Bollen, 1989 in MacKenzie, Podsakoff & Podsakoff, 2011). To assess indicator reliability, the square of the indicator's completely standardized loading ( $\lambda^2$ ) has to be calculated. A prerequisite for this calculation is that the indicator loads on only one construct. An adequate level of reliability is present if the  $\lambda^2$  value is greater than 0.5. Table 25 shows that four of the indicators have a value less than 0.5, with the smallest value being 0.468. Therefore, the majority of indicators have an adequate level of reliability.

In addition to analysing indicator reliability, it is appropriate to calculate composite reliability and average variance extracted for latent variables in a measurement model. To provide reliable measurement, composite reliability has to have values greater than 0.6 (Bagozzi & Yi, 1988 in Diamantopoulos & Siguaw, 2000), and the average variance extracted has to be

greater than 0.5 (Fornell & Larcker, 1981). In calculating both composite reliability and average variance extracted, completely standardized solutions of indicator loadings and error variances are used. Standardized solutions are presented in Table 25, and composite reliability and average variance extracted are presented in Table 26.

Table 25 demonstrates that all composite reliabilities are above the suggested minimal threshold of 0.6 and that average variances extracted are above the suggested minimal value 0.5. This indicates that manifest variables represent reliable measures of underlying researched construct. In addition, more than 50% of variance in manifest variables is represented by underlying construct, also indicating good reliability.

Reliability of perceived customer orientation assumed to be a formative construct is not assessed. This is done so in accordance with Bollen and Lennox (1991; MacKenzie, Podsakoff & Podsakoff, 2011), who suggest that traditional notions of internal consistency reliability are not applicable for sub-dimensions serving as formative indicators of a second order construct.

The validity of constructs was then analysed. Convergent validity refers to the degree to which two measures designed to measure the same construct are related. Convergence is found if two measures are highly correlated (Bearden & Netemeyer, 1999, p.5; Bagozzi & Phillips, 1982, p.468). Furthermore, Anderson and Gerbing (1988, p.416) suggest assessing convergent validity by determining if a certain coefficient, that is, the relationship between indicator and underlying construct, is significant (twice greater than standard error); in other words, by determining if t-values are statistically significant (Čater, 2006). Table 24 shows that all t-values are statistically significant, indicating that convergent validity is present. An additional criterion is average variance extracted (AVE) that is greater than 0.5 per latent construct (MacKenzie, Podsakoff & Podsakoff, 2011). As all AVE values are greater than 0.5, we can conclude that the latent constructs account for the majority of the variance in their indicators.

Table 25. Completely Standardized Values of Indicator Loadings and Error Variances for the Measurement Model (Calibration Sample)

Parameter	t	Parameter	t	Parameter	t	Parameter	t	Parameter	t				
$\lambda_{x1}$	0.684 (0.468)	$\delta_1$	0.533	13.839	$\lambda_{y1}$	1.000	-	$\varepsilon_1$	0.000	-	$\phi_{21}$	0.820	9.830
$\lambda_{x2}$	0.746 (0.557)	$\delta_2$	0.443	13.263	$\lambda_{y2}$	0.766 (0.587)	19.526	$\varepsilon_2$	0.413	13.339	$\phi_{31}$	0.828	10.145
$\lambda_{x3}$	0.792 (0.627)	$\delta_3$	0.373	12.601	$\lambda_{y3}$	0.855 (0.731)		$\varepsilon_3$	0.269	11.673	$\phi_{41}$	0.764	10.688
$\lambda_{x4}$	0.764 (0.584)	$\delta_4$	0.417	13.044	$\lambda_{y4}$	0.852 (0.726)	23.130	$\varepsilon_4$	0.275	11.769	$\phi_{51}$	0.724	9.802
$\lambda_{x5}$	0.696 (0.484)	$\delta_5$	0.516	13.748	$\lambda_{y5}$	0.870 (0.757)	23.950	$\varepsilon_5$	0.244	11.175	$\phi_{61}$	0.449	6.870
$\lambda_{x6}$	0.693 (0.480)	$\delta_6$	0.520	13.270	$\lambda_{y6}$	0.859 (0.738)	16.338	$\varepsilon_6$	0.262	7.663	$\phi_{71}$	0.726	9.591
$\lambda_{x7}$	0.756 (0.572)	$\delta_7$	0.428	12.427	$\lambda_{y7}$	0.765 (0.585)	15.264	$\varepsilon_7$	0.415	11.228	$\phi_{32}$	0.762	10.075
$\lambda_{x8}$	0.721 (0.520)	$\delta_8$	0.480	12.947	$\lambda_{y8}$	0.743 (0.552)		$\varepsilon_8$	0.448	11.764	$\phi_{42}$	0.740	10.917
$\lambda_{x9}$	0.747 (0.558)	$\delta_9$	0.442	12.577	$\lambda_{y9}$	0.780 (0.608)	18.370	$\varepsilon_9$	0.392	12.519	$\phi_{52}$	0.620	9.230
$\lambda_{x10}$	0.694 (0.482)	$\delta_{10}$	0.519	13.262	$\lambda_{y10}$	0.840 (0.706)	20.241	$\varepsilon_{10}$	0.295	11.066	$\phi_{62}$	0.355	5.796
$\lambda_{x11}$	0.745 (0.555)	$\delta_{11}$	0.445	12.977	$\lambda_{y11}$	0.814 (0.663)		$\varepsilon_{11}$	0.338	11.807	$\phi_{72}$	0.510	7.910
$\lambda_{x12}$	0.727 (0.529)	$\delta_{12}$	0.471	13.199	$\lambda_{y12}$	0.706 (0.498)	16.154	$\varepsilon_{12}$	0.502	13.472	$\phi_{43}$	0.750	11.383
$\lambda_{x13}$	0.815 (0.664)	$\delta_{13}$	0.336	11.674							$\phi_{53}$	0.721	10.397
$\lambda_{x14}$	0.803 (0.645)	$\delta_{14}$	0.356	11.974							$\phi_{63}$	0.468	7.287
											$\phi_{73}$	0.552	8.543
											$\phi_{54}$	0.572	9.890
											$\phi_{64}$	0.345	6.222
											$\phi_{74}$	0.483	8.485
											$\phi_{65}$	0.577	8.672
											$\phi_{75}$	0.807	11.154
											$\phi_{76}$	0.625	8.905

Note:  $\lambda^2$  is calculated in parenthesis.

Table 26. Composite Reliability and Average Variance Extracted for the Measurement Model (Calibration Sample)

Latent constructs	Composite reliability ( $\rho_c$ )	Average variance extracted ( $\rho_v$ )
Product	0.856	0.544
Employees	0.845	0.522
Relationships	0.856	0.598
Attitudinal L	0.903	0.700
Cognitive L	0.833	0.625
Behavioural L	0.866	0.618

Discriminant validity is also analysed. This validity assesses the degree to which two measures designed to measure similar but conceptually different constructs are related (Bearden & Netemeyer, 1999, p. 5), or the degree to which measures of distinct concepts differ (Bagozzi & Phillips, 1982, p. 469). Validity can be assessed with latent construct intercorrelation (MacKenzie, Podsakoff & Podsakoff, 2011). Low to moderate correlation is considered evidence of discriminant validity. Correlation coefficients for latent constructs are presented in Table 27. Another method used for assessing discriminant validity is to perform an  $\chi^2$  difference test on different pairs of latent constructs (MacKenzie, Podsakoff & Podsakoff, 2011; Čater, 2006). In this method, we have to set a scale of measurement for each construct by fixing its variance at 1.0, constraining estimated correlation between constructs to 1.0, and then performing an  $\chi^2$  difference test on the values obtained for the constrained and unconstrained models (MacKenzie, Podsakoff & Podsakoff, 2011, p. 324). When the unconstrained model achieves an  $\chi^2$  value lower than that of the constrained model, this means that traits are not perfectly correlated and that discriminant validity is achieved (Bagozzi & Phillips, 1982, p. 476). Results of  $\chi^2$  difference tests are presented in Table 28.

Table 27 shows that correlations between latent constructs are lower than 1.00. According to MacKenzie, Podsakoff and Podsakoff (2011), this is a necessary condition for demonstrating discriminant validity. Further on, they assert that a more stringent method of assessing discriminant validity is to test whether construct intercorrelations are less than 0.71. The conducted analysis revealed that correlations between some pairs of latent constructs have values greater than 0.7, indicating that they are relatively highly correlated. These high correlations are present among constructs that represent perceived customer orientation elements and customer loyalty dimensions. Therefore, it is not surprising that they are so high. But, as they are still not perfectly correlated, it can be concluded that they represent distinctive constructs. Furthermore,  $\chi^2$  difference tests also indicate that discriminant validity is present. The only pair of constructs for which a  $\chi^2$  difference test could not be performed is *friendly employees* and *perceived customer orientation* because of an identification problem. But, as their correlation is 0.740, it can be concluded that discriminant validity is also present in this pair of constructs.

Table 27. Correlation Coefficients for Latent Constructs in the Measurement Model  
(Calibration Sample)

Latent constructs	Latent constructs						
	Product	Employees	Relationships	PCO	Attitudinal L	Cognitive L	Behavioural L
Product	1.000						
Employees	0.820	1.000					
Relationships	0.828	0.762	1.000				
PCO	0.764	0.740	0.750	1.000			
Attitudinal L	0.724	0.620	0.721	0.572	1.000		
Cognitive L	0.449	0.355	0.468	0.345	0.577	1.000	
Behavioural L	0.726	0.510	0.552	0.483	0.807	0.625	1.000

Table 28.  $\chi^2$  Difference Tests between Pairs of Latent Constructs in the Measurement Model  
(Calibration Sample)

Pairs of latent constructs	$\chi^2$ difference test ( $D^2$ )
Product - Employees	$\Delta\chi_d^2(1) = 1067.76 - 954.88 = 112.88^{**}$
Product - Relationships	$\Delta\chi_d^2(1) = 1047.97 - 961.41 = 86.56^{**}$
Product - PCO	N.A.
Product - Attitudinal L	$\Delta\chi_d^2(1) = 1300.06 - 987.58 = 312.48^{**}$
Product - Cognitive L	$\Delta\chi_d^2(1) = 1378.70 - 963.84 = 414.86^{**}$
Product - Behavioural L	$\Delta\chi_d^2(1) = 1223.98 - 987.71 = 236.27^{**}$
Employees - Relationships	$\Delta\chi_d^2(1) = 1110.88 - 963.74 = 147.14^{**}$
Employees - PCO	N.A.
Employees - Attitudinal L	$\Delta\chi_d^2(1) = 1406.35 - 989.11 = 417.24^{**}$
Employees - Cognitive L	$\Delta\chi_d^2(1) = 1441.20 - 968.46 = 472.75^{**}$
Employees - Behavioural L	$\Delta\chi_d^2(1) = 1464.97 - 990.42 = 474.55^{**}$
Relationships - PCO	N.A.
Relationships - Attitudinal L	$\Delta\chi_d^2(1) = 1254.73 - 992.11 = 262.62^{**}$
Relationships - Cognitive L	$\Delta\chi_d^2(1) = 1363.39 - 973.83 = 389.56^{**}$
Relationships - Behavioural L	$\Delta\chi_d^2(1) = 1395.30 - 995.18 = 400.12^{**}$
PCO - Attitudinal L	$\Delta\chi_d^2(1) = 2064.59 - 1130.88 = 933.71^{**}$
PCO - Cognitive L	$\Delta\chi_d^2(1) = 1766.05 - 1122.91 = 643.14^{**}$
PCO - Behavioural L	$\Delta\chi_d^2(1) = 1884.45 - 1137.61 = 746.84^{**}$
Attitudinal L - Cognitive L	$\Delta\chi_d^2(1) = 1337.76 - 997.28 = 340.48^{**}$
Attitudinal L - Behavioural L	$\Delta\chi_d^2(1) = 1177.04 - 1012.15 = 164.89^{**}$
Cognitive L - Behavioural L	$\Delta\chi_d^2(1) = 1267.57 - 1142.73 = 124.84^{**}$

Note: N.A. = unconstrained model was unidentified; \*\*p<0.01

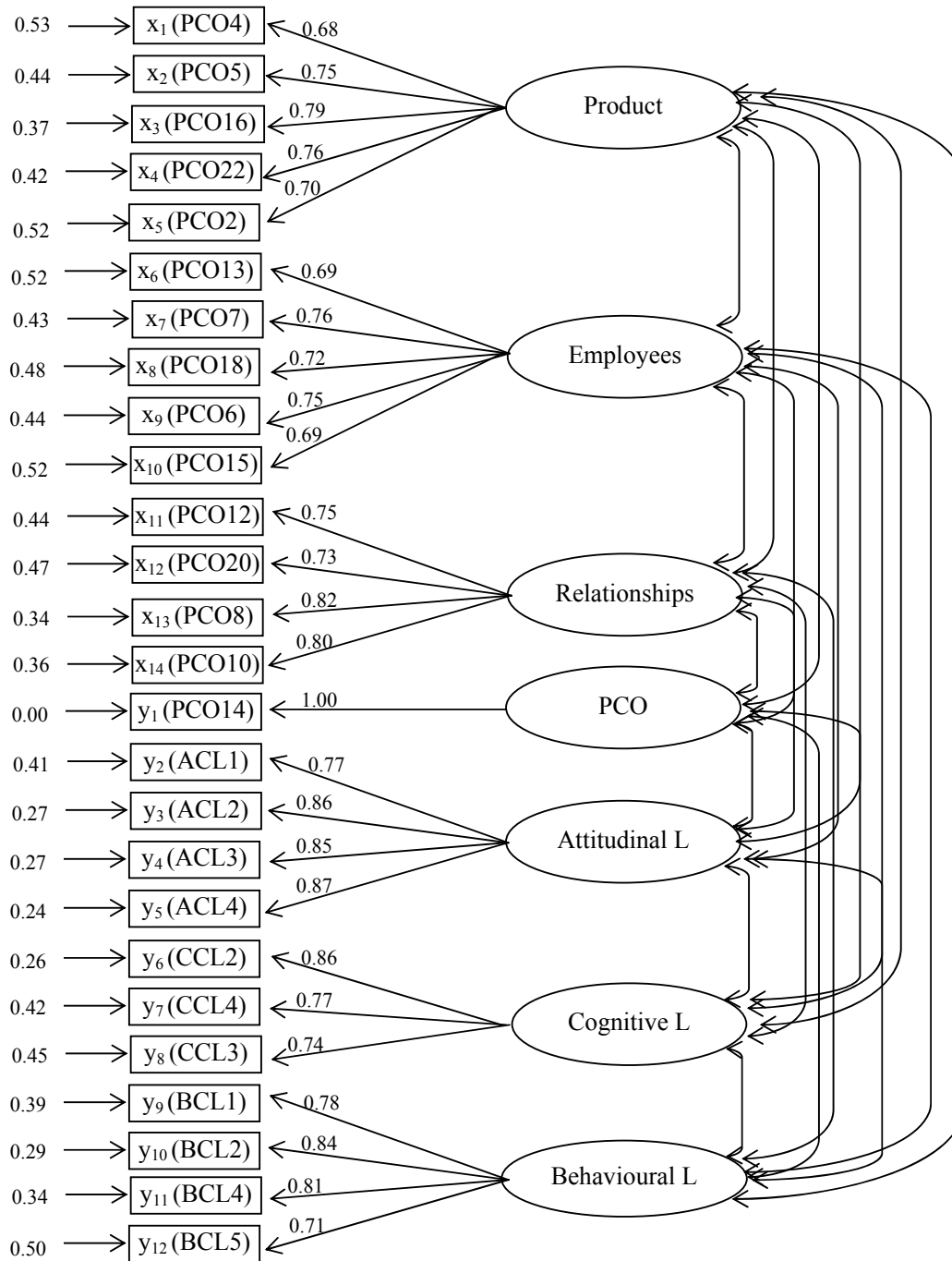
According to Nye and Drasgow (2011), the most commonly used fit indices in structural equation modelling are  $\chi^2$  statistics, RMSEA, NNFI, CFI and SRMR. They were evaluated in accordance to Diamantopoulos and Siguaw's (2000) suggestions of acceptable fit. The

measurement model as a whole (Figure 7) has the following fit indices:  $\chi^2(279)=949.48$  ( $p=0.0$ );  $\chi^2/df=3.40$ ; RMSEA=0.0772; NNFI=0.972; CFI=0.976; SRMR=0.0482. These fit indices suggest a mediocre fit of the measurement model. As a minimum fit function,  $\chi^2$  implies that our model is not adequate because  $p<0.01$ , indicating badness-of-fit. The RMSEA value indicates mediocre but still tolerable fit, because the value is under 0.10 thresholds. Other fit indices, such as NNFI, CFI and SRMR, suggest the measurement model has tolerable fit.

$\chi^2$  statistics is heavily dependent on sample size, meaning that when sample size is large, a minimally false model will result in statistically significant  $\chi^2$  indicating bad fit (Bentler & Bonett, 1980 in Diamantopoulos & Siguaw, 2000, p.98; Iacobucci, 2010). In addition to this criterion, one can use  $\chi^2/df$  statistics. In this criterion, the threshold of acceptable fit is  $\chi^2/df \leq 3$  (Iacobucci, 2010, p.91) or  $\leq 5$  (Wheaton, Muthén, Alwin & Summers, 1977 in Diamantopoulos & Siguaw, 2000, p.98). According to Diamantopoulos & Siguaw (2000), however, the use of this criterion in assessing model fit is not widely accepted. In the measurement model,  $\chi^2/df=3.40$  suggests acceptable or even bad fit, depending on the criterion. It is assumed that  $\chi^2$ -statistics is statistically significant due to the relatively large sample size of 458 units. Furthermore, as all other measures indicate acceptable or good fit, analysis will continue by testing the structural model.



Figure 7. Standardized Solution of the Measurement Model between Latent Constructs (Calibration Sample)



Note: Because of their complexity, correlations between latent constructs are not incorporated and can be found in Table 27.

After the measurement model, the structural model has to be assessed. Relationships posited to exist in the conceptual model are now tested. Several considerations must be kept in mind when assessing the structural model (Diamantopoulos & Sigauw, 2000, p. 92). First, signs of the parameters representing paths between latent variables indicate if the right direction of the

relationship, positive or negative, is posited. Second, magnitudes of estimated parameters provide information about the strength of the relationship. These parameters should be significant, that is, t-values are expected to be greater than 1.96 in absolute terms. Third, squared multiple correlations ( $R^2$ ) of structural equations indicate the amount of variance in each endogenous latent variable that is accounted for by the latent variables that are expected to impact upon it. The higher the  $R^2$ , the greater the mutual explanatory power of the antecedents. The proposed structural model, together with parameter values in standardized values, is presented in Figure 8. Parameter values are presented in Table 29 and correlations between latent constructs in Table 30.

It can be observed that all relationships have suggested signs and that all parameters are statistically significant. Furthermore, most of the variances in the hypothesized relationships are around 50%, with the exception of the cognitive loyalty construct. Hence, *products/services that satisfy customers*, *friendly employees* and *value adding relationships* together explain 65% of variance in the perceived customer-orientation construct. The relationships of perceived customer orientation and customer loyalty dimensions explain variance in a relationship in the following pattern. Perceived customer orientation and behavioural loyalty explain 69.3% of variance in the attitudinal loyalty construct; perceived customer orientation and attitudinal loyalty explain 26% of variance in the cognitive loyalty construct; and perceived customer orientation and cognitive loyalty together explain 46.3% of variance in the behavioural loyalty construct.

The assessed structural model (Figure 8) consists of three exogenous latent constructs: *products/services that satisfy customers*, *friendly employees* and *value adding relationships*. Together, they are supposed to form perceived customer orientation. Perceived customer orientation is assumed to be a type II formative model (Jarvis, Mackenzie & Podsakoff, 2003, p. 204), having reflective first-order and a formative second-order factor. Reflective first order latent constructs have been assessed for reliability and validity through measurement model testing. Their reliability and validity values are adequate. In assessing formative models as a whole, identification is an issue. To overcome this issue, the MIMIC model has to be assessed (Diamantopoulos & Winklhofer, 2001). The options applied here includes one reflective indicator and at least one reflective construct (Diamantopoulos, Riefler & Roth, 2008) in order to make it possible to assess the latent formative model.

As mentioned before, reliability on the construct level for formative models is not meaningful (Diamantopoulos, Riefler & Roth, 2008, p.1215). The reliability of perceived customer-orientation sub-dimensions, tested through the construct reliability index (Fornell and Larcker, 1981) in the measurement model part, illustrates adequate values.

In structural model,  $\gamma$  parameters capture contribution of the individual indicator to the construct (Diamantopoulos, Riefler & Roth, 2008, p.1215); therefore, the validity of individual indicators is assessed with  $\gamma$  value. The  $\gamma$  values of latent constructs exhibit statistically significant values, indicating validity of all three dimensions (MacKenzie,

Podsakoff & Podsakoff, 2011). An additional approach to assessing indicator validity is to correlate them with external variables (Diamantopoulos, Riefler & Roth, 2008, p.1215). Table 30 demonstrates that all perceived customer orientation dimensions correlate moderately with external constructs of behavioural, attitudinal and cognitive loyalty. Therefore, they also demonstrate validity at the individual level.

The validity of the set of sub-dimensions can be assessed with the adequacy coefficient ( $R_a^2$ ). This coefficient is calculated by summing the squared correlations between each sub-dimension and the focal construct, and then dividing by the number of sub-dimensions (Edwards, 2001; MacKenzie, Podsakoff & Podsakoff, 2011, p.313). For perceived customer orientation, its value is 0.564, indicating that on average a majority of variance in the first-order sub-dimensions is shared with second order latent constructs.

Diamantopoulos (2006) suggests also variance of the error term as an indication of construct validity at formative construct level. According to author, a small value of error variance suggests that a construct is more valid. In our model, error variance is large (0.350), and indicator coefficients are significant. In formative models, error term is a function of all selected indicators, and it also depends on the selection of additional constructs used to attain model identification (Diamantopoulos, 2006, p. 14). Therefore, it is possible that certain items in perceived customer orientation sub-dimensions are not adequately chosen.

Figure 8. Parameter Standardized Values for the Structural Model (Calibration Sample)

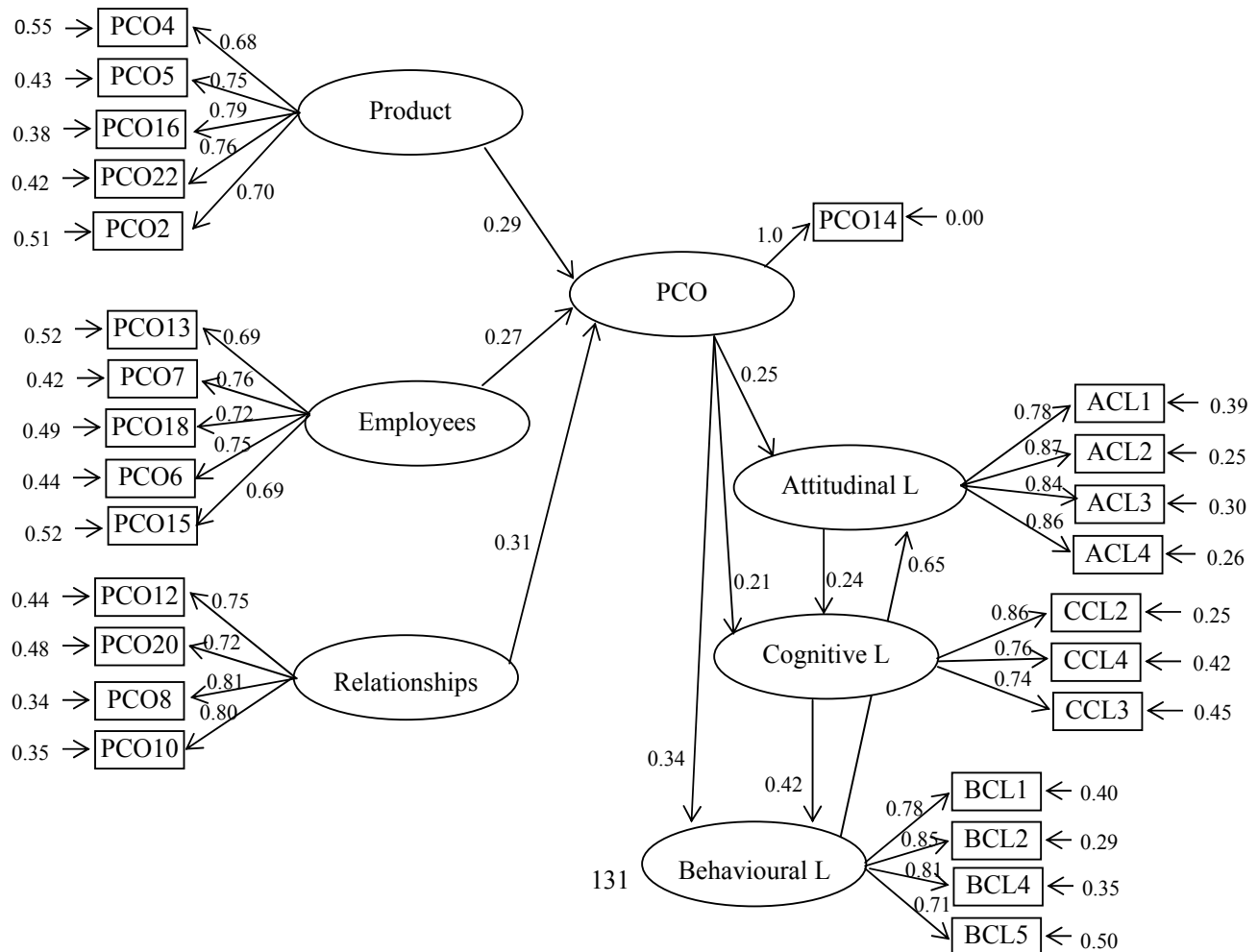


Table 29. Completely Standardized Values of Indicator Loadings and Error Variances in the Structural Model (Calibration Sample)

Parameter	t	Parameter	t	Parameter	t	Parameter	t	Parameter	t					
$\lambda_{x1}$	0.681	13.544	$\delta_1$	0.537	13.646	$\lambda_{y1}$	1.000	$\varepsilon_1$	-	$\gamma_{11}$	0.288	3.245		
$\lambda_{x2}$	0.754	14.935	$\delta_2$	0.431	12.846	$\lambda_{y2}$	0.784	20.505	$\varepsilon_2$	0.386	13.012	$\gamma_{12}$	0.269	3.727
$\lambda_{x3}$	0.788	15.552	$\delta_3$	0.379	12.285	$\lambda_{y3}$	0.868		$\varepsilon_3$	0.247	11.041	$\gamma_{13}$	0.308	4.160
$\lambda_{x4}$	0.759	15.016	$\delta_4$	0.424	12.782	$\lambda_{y4}$	0.837	22.856	$\varepsilon_4$	0.299	11.998	$\beta_{21}$	0.253	6.404
$\lambda_{x5}$	0.702		$\delta_5$	0.507	13.455	$\lambda_{y5}$	0.861	23.971	$\varepsilon_5$	0.259	11.291	$\beta_{31}$	0.209	2.817
$\lambda_{x6}$	0.694	14.592	$\delta_6$	0.519	13.249	$\lambda_{y6}$	0.864	16.307	$\varepsilon_6$	0.253	7.352	$\beta_{41}$	0.339	7.119
$\lambda_{x7}$	0.760		$\delta_7$	0.423	12.325	$\lambda_{y7}$	0.760	15.162	$\varepsilon_7$	0.423	11.337	$\beta_{32}$	0.239	2.321
$\lambda_{x8}$	0.717	15.132	$\delta_8$	0.485	12.977	$\lambda_{y8}$	0.742		$\varepsilon_8$	0.450	11.778	$\beta_{43}$	0.419	5.654
$\lambda_{x9}$	0.748	15.822	$\delta_9$	0.441	12.550	$\lambda_{y9}$	0.777	18.025	$\varepsilon_9$	0.396	12.403	$\beta_{24}$	0.653	12.378
$\lambda_{x10}$	0.693	14.583	$\delta_{10}$	0.519	13.254	$\lambda_{y10}$	0.845	20.018	$\varepsilon_{10}$	0.286	10.626	$\Psi_{11}$	0.350	13.491
$\lambda_{x11}$	0.752	17.101	$\delta_{11}$	0.435	12.722	$\lambda_{y11}$	0.809		$\varepsilon_{11}$	0.346	11.724	$\Psi_{22}$	0.307	8.621
$\lambda_{x12}$	0.722	16.278	$\delta_{12}$	0.478	13.115	$\lambda_{y12}$	0.707	16.015	$\varepsilon_{12}$	0.500	13.352	$\Psi_{33}$	0.740	7.405
$\lambda_{x13}$	0.810	18.763	$\delta_{13}$	0.343	11.558							$\Psi_{44}$	0.537	8.713
$\lambda_{x14}$	0.804		$\delta_{14}$	0.353	11.715									

Table 30. Correlations Coefficients for Latent Constructs in the Structural Model (Calibration Sample)

Latent constructs	Latent constructs						
	PCO	Attitudinal L	Cognitive L	Behavioural L	Product	Employees	Relationships
PCO	1.000						
Attitudinal L	0.568	1.000					
Cognitive L	0.344	0.573	1.000				
Behavioural L	0.483	0.808	0.625	1.000			
Product	0.763	0.434	0.263	0.369	1.000		
Employees	0.739	0.420	0.254	0.357	0.818	1.000	
Relationships	0.751	0.427	0.259	0.363	0.829	0.762	1.000

The proposed model was tested for its appropriateness in modelling real data. Therefore, a sequence of nested models was tested (Anderson & Gerbing, 1988, p.418-421; Diamantopoulos & Siguaw, 2000, p.121). These nested models include the saturated, null, theoretical, constrained and unconstrained model. First, the saturated sub-model (Ms) is identified. In this model, all parameters relating to latent constructs are estimated. Formally, it is equivalent to the measurement model. The next model to be estimated is the null structural model (Mn). In the null model, all relationships relating to constructs are fixed at zero. The theoretical sub-model (Mt) is the third model that is estimated. This theoretical model represents our proposed model of interest. The fourth and fifth models are constrained (Mc) and unconstrained (Mu) alternatives. The constrained sub-model (Mc) is formed by constraining one or more parameters estimated in the theoretical model. It was decided to constrain the relationship between perceived customer orientation and the cognitive loyalty dimension since it has the lowest correlation coefficient (Table 29) among estimated

relationships. In the unconstrained sub-model (Mu), one or more parameters constrained in the theoretical model (Mt) are estimated. It was decided to estimate the relationship between *products/services that satisfy customers* and attitudinal loyalty as a relation that exhibits the highest correlation coefficient among un-estimated relationships. For comparison purposes, alongside  $\chi^2$  values and degrees of freedom for nested models in Table 30, their CFI and NNFI values are provided. CFI and NNFI values indicate relative placement of a certain model along the continuum (Widaman & Thompson, 2003, p.21), whereas 1.0 indicates the ideal model for the data. The results of the aforementioned nested models are presented in Table 31.

Table 31. Nested Models Characteristics (Calibration Sample)

Models	$\chi^2$	df	CFI	NNFI
Ms	949.482	279	0.976	0.972
Mn	2871.501	300	0.908	0.901
Mt	1149.856	288	0.969	0.965
Mc	1159.033	289	0.969	0.965
Mu	1106.084	287	0.971	0.967
Mu <sub>2</sub>	971.231	285	0.976	0.972

Based on a decision-tree framework for the set of sequential  $\chi^2$  difference tests (SCDTs) (Anderson & Gerbing, 1988, p. 420), several comparisons of nested models are conducted. SCDT analysis started with a comparison of theoretical and saturated models (Mt-Ms). As  $\chi^2$  difference was statistically significant, a comparison of constrained and theoretical model (Mc-Mt) was conducted. Within these models,  $\chi^2$  difference was still statistically significant, so the relationship between the theoretical and unconstrained model (Mt-Mu) was analysed, resulting in a statistically significant  $\chi^2$  difference among tested models. According to the decision-tree framework, analysis was continued by comparing the unconstrained and saturated model (Mu-Ms). In this relationship, a statistically significant  $\chi^2$  difference is still present. This implies that some additional parameters have to be added and estimated in the unconstrained model. This resulted in forming an unconstrained model (Mu<sub>2</sub>).

In forming the unconstrained model (Mu<sub>2</sub>), several considerations were taken into account. The first condition for inclusion was the correlation value among certain latent constructs. The second condition taken into account was the substantial change in  $\chi^2$  values in relation to lost degrees of freedom. By including the relation between *value adding relationships* and the attitudinal loyalty dimension, that is, giving away one degree of freedom, the  $\chi^2$  difference test was lower by 32 points (1106.084-1073.812= 32.272). Therefore, a considerable change in  $\chi^2$  values was noticed. The next relation included was that between *friendly employees* and attitudinal loyalty. Despite having a high correlation value, this relation was not taken into account because its inclusion lowered  $\chi^2$  value by one point (1073.812-1072.622=1.19) for sacrificing one degree of freedom. Therefore, no substantial reason for including this relationship was found. The relation between *products/services that satisfy customers* and the behavioural loyalty dimension was then taken into account. By adding this relationship one

additional degree of freedom is lost. Including this relationship resulted in a  $\chi^2$  difference of 102 points ( $1073.812-971.231=102.581$ ). In total, with adding before mentioned relationships, two degrees of freedom were lost. This value was seen as a substantial contribution in exchange for lower degrees of freedom. Therefore, the new unconstrained model ( $Mu_2$ ) comprises three relationships, whose parameters need to be estimated. In addition to the relation between *products/services that satisfy customers* and attitudinal loyalty, new relationships were included in the Mu model, *value adding relationships* and the attitudinal loyalty dimension, and *products/services that satisfy customers* and behavioural loyalty.

The values of the aforementioned sequential  $\chi^2$  difference tests (SCDTs) for assessing the structural model are computed and presented in Table 32.

Table 32. Results of the Sequential  $\chi^2$  Difference Test (Calibration Sample)

Pairs of models	$\Delta\chi^2$	$\Delta DF$	p
Mt - Ms	$1149.856 - 949.482 = 200.374$	$288 - 279 = 9$	$p < 0.01$
Mc - Mt	$1159.033 - 1149.856 = 9.177$	$289 - 288 = 1$	$p < 0.01$
Mt - Mu	$1149.856 - 1106.084 = 43.772$	$288 - 287 = 1$	$p < 0.01$
Mu - Ms	$1106.084 - 949.482 = 156.602$	$287 - 279 = 8$	$p < 0.01$
$Mu_2$ - Ms	$971.231 - 949.482 = 21.749$	$285 - 279 = 6$	$p > 0.05$

By adding these three additional relationships, a less parsimonious model was gained. This unconstrained model ( $Mu_2$ ) has the following goodness-of-fit indices:  $\chi^2_d(286)=971.231$  ( $p=0.0$ );  $\chi^2/df=3.40$ ; RMSEA=0.0771; NNFI=0.972; CFI=0.972; SRMR=0.0503. In particular, the RMSEA and SRMR indices indicate a reasonable fit. In comparison, the indices of the proposed theoretical model are:  $\chi^2_d(288)=1149.856$  ( $p=0.0$ );  $\chi^2/df=3.99$ ; RMSEA=0.0850; NNFI=0.965; CFI=0.969; SRMR=0.106; indicating mediocre fit. The theoretical model is more parsimonious, and relationships are theoretically adequately explained. Anderson and Gerbing (1988) suggest that a researcher should consider not only the statistical significance of results, but also their practical significance, to keep the proposed theoretical model. Furthermore, Diamantopoulos and Siguaw (2000, p.82) also assert that researchers should not be blinded in their decisions with statistical results. Moreover, a researcher should use results as guidance in making decision and not as the sole criterion. In addition, models are never confirmed by data; they gain support by failing to be disconfirmed (Anderson & Gerbing, 1988, p.421). Hence, the proposed theoretical model shows mediocre results in fitting data, that is, the fit is not very good. But it is also not catastrophically bad. Hence, it was decided to keep the proposed model because it is at least partly explained by the data. This was decided having in mind the need for cross-validation. Cross-validation will be done on the other half of the sample data, that is, on the validation sample. In further research a cross-validation can also be done with collected new data.

In addition, it was necessary to calculate the power of the test for the model. This calculation assures us that we have not rejected the correct model, that is, that no serious misspecification error has been detected (Diamantopoulos & Siguaw, 2000, p.94). Moreover, power

assessment is necessary because of the role of sample size in model testing. Two possibilities are associated in testing the power of the model: a test of exact fit and a test of close fit. Diamantopoulos and Siguaaw (2000, p. 95), and Čater (2006, p. 193) describe the procedure for power assessment. A simple-to-use power calculation using RMSEA value can be found in Preacher & Coffman (2006). According to the results of the power test for models, both the proposed theoretical and the unconstrained model reach the value of one in the test of exact fit, as well as in the test of close fit. Therefore, both models could be accepted. This also represents one indication that the proposed theoretical model could be retained.

In assessing the validity of multidimensional structure, a nomological network is used (MacKenzie, Podsakoff & Podsakoff, 2011, p. 322). Therefore, it is tested to see whether the sub-dimensions of the multidimensional construct of interest, perceived customer orientation, have significant direct effects on a consequence construct, over and above the direct effect that the perceived customer orientation has on the consequence. As perceived customer orientation is assumed to be a formative construct, relationships for different dimensions of customer loyalty have to be explored separately due to possible underidentification. In structuring the constrained model (Mc), relationships between perceived customer orientation sub-dimensions and selected customer loyalty dimension are modelled through their second order construct, that is, perceived customer orientation. In forming the unconstrained model (Mu), direct relationships between perceived customer orientation sub-dimensions and customer loyalty dimension are added. The significance of these direct paths is tested with the  $\chi^2$  difference test of the model, with and without the direct paths as MacKenzie, Podsakoff and Podsakoff (2011, p.323) suggest. The results of  $\chi^2$  difference tests conducted for attitudinal, cognitive and behavioural dimensions are presented in Table 33.

In all three  $\chi^2$  difference tests that were conducted, a significant deterioration in model fit is noticed. Hence, adding direct relationships does not explain the additional significant percentage of variance in the consequence construct. This amplifies nomological validity of perceived customer orientation and provides evidence for its formative conceptualization.

Table 33. Results of  $\chi^2$  Difference Test for Perceived Customer Orientation (Calibration Sample)

Pairs of models	$\Delta\chi^2$	$\Delta DF$	p
Mu-Mc (attitudinal loyalty)	1234.389 - 1098.512 = 135.877	290 - 266 = 24	p<0.01
Mu-Mc (cognitive loyalty)	1154.988 - 960.138 = 194.85	290 - 266 = 24	p<0.01
Mu-Mc (behavioural loyalty)	1205.701 - 1015.702 = 189.999	290 - 266 = 24	p<0.01

Similar conclusion about nomological validity of perceived customer orientation scale can be accepted when examining the total and indirect effects between latent constructs. As in the previous table, the effects on different dimensions of customer loyalty are analysed separately. The results of analysis are presented in Table 34.

Table 34 shows that indirect effects of perceived customer orientation elements on customer loyalty dimensions exist. However, their magnitudes are lower, ranging from 0.076 to 0.158, than their effects though perceived customer orientation modelled as a second-order construct. Hence, perceived customer orientation acts as a partial mediator of relationships between *products/services that satisfy customer needs*, *friendly employees* and *value adding relationships* and customer loyalty dimensions. This upholds the nomological validity of perceived customer orientation. But as Diamantopoulos (2011) emphasizes, formative constructs are context specific and should be accordingly elaborated.

Table 34. Direct and Indirect Effects of Perceived Customer Orientation Elements on Customer Loyalty Dimensions (Calibration Sample)

Customer loyalty dimensions	Indirect effects			Total effects
	Product	Employees	Relationships	PCO
Attitudinal L	0.116	0.108	0.124	0.402
Cognitive L	0.081	0.076	0.087	0.283
Behavioural L	0.147	0.137	0.158	0.511

Note:  $p < 0.05$  for all values

As assumed, all relationships in the model are statistically significant and positively related. This assures nomological validity on the model level, because researchers should consider one construct in relationship to others in an overall context of a theoretical structure (Bagozzi, 1980 in MacKenzie, Podsakoff & Podsakoff, 2011), that is, how it is related to other constructs in its nomological network.

Moreover, (H1a) *products/services that satisfy customers* positively contribute to perceived customer orientation (standardized parameter 0.288). Likewise, customer orientation is exhibited through organizations' efforts in satisfying customer needs (Daniel & Darby, 1997) and customizing products/services to customer requirements (Pitta, Franzak & Little, 2004). Employees whose aim is to satisfy customers (Hajjat, 2002) and those who take care to provide products/services that are best suited to customer needs (Daniel & Darby, 1997; Thomas, Soutar & Ryan, 2001) pinpoint customer orientation. Hence, (H1b) *employees, who are perceived as friendly*, are positively influencing perceived customer orientation (standardized parameter 0.269). The characteristics of customer-oriented organizations include approaching customers like assets and taking into account the value they provide to an organization (Hogan et al., 2002; Thomas & Gupta, 2005; Berger et al., 2006), and creating collaborative relationships and partner treatment (Palmer & Bejou, 1995; Bartley, Gomibuchi & Mann, 2007). Likewise, (H1c) *value adding relationships* contribute to perceived customer orientation (standardized parameter 0.308).

The relationship between perceived customer orientation and customer loyalty is consistent with Dean's (2007) and Kirca, Jayachandran and Bearden's (2005) findings that customer orientation and customer loyalty are positively related. In this research, customer loyalty is explored as consisting of three dimensions. So, analogous to previous researches, perceived customer orientation is positively related to (H2a) *attitudinal* (standardized parameter 0.253),



(H2b) *behavioural* (standardized parameter 0.339) and (H2c) *cognitive* (standardized parameter 0.209) *customer loyalty* dimensions.

Furthermore, relationships between customer loyalty dimensions are also explored. Customers demonstrate price tolerance by continuing to do business with an organization (Jones & Taylor, 2007) and, consequently, becoming repeated buyers (Aydin & Özer, 2005). Similarly, positive relationship between *cognitive* and *behavioural customer loyalty* dimensions is present (standardized parameter 0.419). In long-term relationships customers, are dedicated in doing business with one organization (Dewitt, Nguyen & Marshal, 2008). This results in attachment, positive feelings and considering an organization as “their” organization (Jones & Taylor, 2007). Empirical results are consistent with this finding. Hence, *behavioural* and *attitudinal customer loyalty* dimensions (standardized parameter 0.653) are positively related. Value that is created in long-term relationships contributes to cumulative customer satisfaction (Woodruff, 1997; Cronin, Brady & Hult, 2000; Lai, Griffin & Babin, 2009). This influences relationship duration and elevates customer loyalty to the next level. It is reflected in new expectations (Johnson, Anderson & Fornell, 1995) and, consequently, a positive impact on cumulative customer satisfaction is present (Anderson, Fornell & Lehmann, 1994). Therefore, price tolerance is exhibited. Similar to previous findings, a positive relationship between *attitudinal* and *cognitive customer loyalty* dimension (standardized parameter 0.239) is present in the conducted research.

The explored relationships parameters together with corresponding t-values are presented in Table 35.

Table 35. Relationships between Researched Constructs

Relationships	Standardized parameter	t-value	Decision
Products/services that satisfy customers → perceived customer orientation (H1a)	0.288	3.245	Accept
Friendly employees → perceived customer orientation (H1b)	0.269	3.727	Accept
Value adding relationships → perceived customer orientation (H1c)	0.308	4.160	Accept
Perceived customer orientation → attitudinal loyalty (H2a)	0.253	6.404	Accept
Perceived customer orientation → behavioural loyalty (H2b)	0.339	7.119	Accept
Perceived customer orientation → cognitive loyalty (H2c)	0.209	2.817	Accept

Hence, taking into account all stated limitations, we can still conclude that perceived customer orientation explored as a formative construct is positively related to customer loyalty conceptualized as a construct consisting of three distinguishable dimensions. Furthermore, cross-validation has to be undertaken to examine the extent to which a model

replicates in samples other than the one from which it was derived (Diamantopoulos & Siguaw, 2000, p.130).

The original sample of 913 respondents was divided into two halves. The first half of the sample was used as a calibration sample. On this calibration sample, the model was developed. Remaining half is regarded as validation sample. This validation sample is used for cross-validation purposes. It was assessed whether a single model would be likely to fit well when estimated on different samples from the same population, that is, on the validation sample. In this way, researchers can assess model stability (Diamantopoulos & Siguaw, 2000, p.129).

First, the measurement model is assessed. Therefore, latent and manifest variables that entered the validation model are presented (Table 36). Second, measurement equations of variables (Table 37) and standardized values of indicator loadings and error variances for the measurement model (Table 38) are stated. To additionally explore latent constructs, composite reliability and average variance extracted have to be calculated (Table 39).

The following table (Table 37) shows that all indicator loadings and error variances are statistically significant at  $p < 0.01$ . Some indicators have squared multiple correlations ( $R^2$ ) lower than 0.50, indicating that the reliability of some indicators is not high-quality. However, as the lowest  $R^2$  value is 0.483, very close to the 0.50 value, it is assumed that this slightly lower value of  $R^2$  will not represent a big problem. These values are presented in Table 36.

Also, indicator reliability is assessed. As most of the  $\lambda^2$  values are above the 0.5 threshold, it can be concluded that the majority of indicators have an adequate level of reliability. In addition, the lowest  $\lambda^2$  value is 0.482, indicating that some indicators have mediocre but still acceptable reliability. A similar pattern is found among indicators in the calibration sample.

All composite reliabilities and average variance extracted for latent constructs are above the accepted levels of 0.5 and 0.6, respectively. This indicates that manifest variables are reliable measures of latent constructs.

Construct validity is present when indicators have statistically significant t-values and when average variance extracted is above 0.5 thresholds. From previous tables (Tables 37 and 38), it can be seen that all indicators have statistically significant t-values and that the lowest value of average variance extracted is 0.522. This assures that construct validity is present.

Table 36. Characteristics of Latent and Manifest Variables Included in the Tested Model  
(Validation Sample)

Variables	Mean	$\sigma$	Standard error
<b><math>\xi_1</math> : Products/services that satisfy customers (<math>\alpha=0.859</math>)</b>			
x <sub>1</sub> : creative in new offer intended to satisfy customers (PCO4)	4.83	1.354	0.057
x <sub>2</sub> : offer tailored to customers' requirements (PCO5)	4.70	1.342	0.057
x <sub>3</sub> : satisfy needs (PCO16)	4.58	1.414	0.058
x <sub>4</sub> : practice creates trust (PCO22)	4.47	1.481	0.059
x <sub>5</sub> : respects needs (PCO2)	4.31	1.468	0.061
<b><math>\xi_2</math> : Friendly employees (<math>\alpha=0.840</math>)</b>			
x <sub>6</sub> : employees in understandable way explain how to use (PCO13)	5.38	1.331	0.057
x <sub>7</sub> : employees help and resolve problem (PCO7)	5.11	1.353	0.056
x <sub>8</sub> : employees offer something that suits needs the best (PCO18)	4.77	1.346	0.059
x <sub>9</sub> : employees try more than expected (PCO6)	4.59	1.448	0.063
x <sub>10</sub> : resolves complaints quickly and uncomplicated (PCO15)	4.32	1.467	0.064
<b><math>\xi_3</math> : Value adding relationships (<math>\alpha=0.861</math>)</b>			
x <sub>11</sub> : develops collaborative relationships (PCO12)	4.30	1.483	0.061
x <sub>12</sub> : offers added value (PCO20)	3.79	1.444	0.060
x <sub>13</sub> : exceptional treatment (PCO8)	3.12	1.498	0.060
x <sub>14</sub> : partner behaviour (PCO10)	3.05	1.503	0.061
<b><math>\eta_1</math> : Perceived customer orientation</b>			
y <sub>1</sub> : takes care about satisfaction (PCO14)	4.31	1.436	0.048
<b><math>\eta_2</math> : Attitudinal loyalty (<math>\alpha=0.902</math>)</b>			
y <sub>2</sub> : a loyal customer (ACL1)	4.88	1.532	0.062
y <sub>3</sub> : dedicated to doing business (ACL2)	4.55	1.590	0.061
y <sub>4</sub> : proud to use (ACL3)	4.08	1.568	0.062
y <sub>5</sub> : strong relationship (ACL4)	3.97	1.550	0.059
<b><math>\eta_3</math> : Cognitive loyalty (<math>\alpha=0.831</math>)</b>			
y <sub>6</sub> : even if prices raise, continue to be a customer (CCL2)	3.25	1.632	0.069
y <sub>7</sub> : pay more than for others (CCL4)	3.03	1.569	0.067
y <sub>8</sub> : price not important in decision to remain (CCL3)	2.79	1.682	0.072
<b><math>\eta_4</math> : Behavioural loyalty (<math>\alpha=0.880</math>)</b>			
y <sub>9</sub> : continue on using (BCL1)	4.75	1.412	0.057
y <sub>10</sub> : first choice to buy services (BCL2)	4.72	1.552	0.062
y <sub>11</sub> : new mobile telephone line, prefer primary operator (BCL4)	4.55	1.711	0.068
y <sub>12</sub> : provides more benefits than others (BCL5)	4.16	1.638	0.067

Table 37. Measurement Equations for Variables' Non-Standardized Values (Validation Sample)

Equation	R <sup>2</sup>
X1=0.888* $\xi_1$	0.482
X2=0.889* $\xi_1$	0.490
X3=1.017* $\xi_1$	0.576
X4=1.136* $\xi_1$	0.655
X5=1.000* $\xi_1$	0.520
X6=0.888* $\xi_2$	0.519
X7=1.000* $\xi_2$	0.632
X8=0.873* $\xi_2$	0.484
X9=0.947* $\xi_2$	0.493
X10=0.950* $\xi_2$	0.483
X11=0.956* $\xi_3$	0.574
X12=0.940* $\xi_3$	0.587
X13=1.049* $\xi_3$	0.679
X14=1.000* $\xi_3$	0.617
Y2=0.879* $\eta_2$	0.620
Y3=1.000* $\eta_2$	0.746
Y4=0.942* $\eta_2$	0.676
Y5=0.983* $\eta_2$	0.757
Y6=1.028* $\eta_3$	0.660
Y7=0.948* $\eta_3$	0.606
Y8=1.000* $\eta_3$	0.589
Y9=0.777* $\eta_4$	0.644
Y10=0.857* $\eta_4$	0.651
Y11=1.000* $\eta_4$	0.728
Y12=0.871* $\eta_4$	0.603

Table 38. Completely Standardized Values of Indicator Loadings and Error Variances for the Measurement Model (Validation Sample)

Parameter	t	Parameter	t	Parameter	t	Parameter	t	Parameter	t					
$\lambda_{x1}$	0.694 (0.482)	14.295	$\delta_1$	0.518	13.753	$\lambda_{y1}$	1.000	$\varepsilon_1$	-	$\phi_{21}$	0.784	9.927		
$\lambda_{x2}$	0.700 (0.490)	14.418	$\delta_2$	0.510	13.709	$\lambda_{y2}$	0.787 (0.619)	20.371	$\varepsilon_2$	0.380	12.851	$\phi_{31}$	0.864	10.392
$\lambda_{x3}$	0.759 (0.576)	15.649	$\delta_3$	0.424	13.144	$\lambda_{y3}$	0.864 (0.746)		$\varepsilon_3$	0.254	11.069	$\phi_{41}$	0.780	10.967
$\lambda_{x4}$	0.809 (0.654)	16.697	$\delta_4$	0.345	12.348	$\lambda_{y4}$	0.822 (0.676)	21.856	$\varepsilon_4$	0.324	12.227	$\phi_{51}$	0.733	10.004
$\lambda_{x5}$	0.721 (0.520)		$\delta_5$	0.480	13.537	$\lambda_{y5}$	0.870 (0.757)	24.022	$\varepsilon_5$	0.243	10.816	$\phi_{61}$	0.487	7.320
$\lambda_{x6}$	0.720 (0.518)	15.561	$\delta_6$	0.481	12.664	$\lambda_{y6}$	0.812 (0.659)	16.138	$\varepsilon_6$	0.340	9.582	$\phi_{71}$	0.717	9.812
$\lambda_{x7}$	0.795 (0.632)		$\delta_7$	0.368	11.246	$\lambda_{y7}$	0.779 (0.607)	15.649	$\varepsilon_7$	0.394	10.700	$\phi_{32}$	0.697	9.653
$\lambda_{x8}$	0.696 (0.484)	14.953	$\delta_8$	0.516	12.974	$\lambda_{y8}$	0.768 (0.590)		$\varepsilon_8$	0.411	11.006	$\phi_{42}$	0.665	10.400
$\lambda_{x9}$	0.702 (0.493)	15.113	$\delta_9$	0.507	12.898	$\lambda_{y9}$	0.802 (0.643)	20.213	$\varepsilon_9$	0.356	12.126	$\phi_{52}$	0.538	8.482
$\lambda_{x10}$	0.695 (0.483)	14.940	$\delta_{10}$	0.517	12.980	$\lambda_{y10}$	0.807 (0.651)	20.379	$\varepsilon_{10}$	0.349	12.032	$\phi_{62}$	0.369	5.984
$\lambda_{x11}$	0.758 (0.575)	17.007	$\delta_{11}$	0.426	12.906	$\lambda_{y11}$	0.854 (0.729)		$\varepsilon_{11}$	0.272	10.701	$\phi_{72}$	0.479	7.713
$\lambda_{x12}$	0.766 (0.587)	17.224	$\delta_{12}$	0.413	12.795	$\lambda_{y12}$	0.777 (0.604)	19.263	$\varepsilon_{12}$	0.397	12.595	$\phi_{43}$	0.793	11.558
$\lambda_{x13}$	0.824 (0.679)	18.827	$\delta_{13}$	0.321	11.663							$\phi_{53}$	0.693	10.048
$\lambda_{x14}$	0.785 (0.616)		$\delta_{14}$	0.383	12.486							$\phi_{63}$	0.505	7.668
												$\phi_{73}$	0.577	8.867
												$\phi_{54}$	0.564	9.747
												$\phi_{64}$	0.378	6.687
												$\phi_{74}$	0.525	9.158
												$\phi_{65}$	0.604	8.972
												$\phi_{75}$	0.751	10.923
												$\phi_{76}$	0.649	9.313

Note:  $\lambda^2$  is calculated in parenthesis.

Table 39. Composite Reliability and Average Variance Extracted for the Measurement Model (Validation Sample)

Latent constructs	Composite reliability ( $\rho_c$ )	Average variance extracted ( $\rho_v$ )
Product	0.856	0.545
Employees	0.845	0.522
Relationships	0.864	0.614
Attitudinal L	0.903	0.700
Cognitive L	0.829	0.618
Behavioural L	0.884	0.657

Another type of validity that has to be assessed is discriminant validity. Assessing discriminant validity is done by comparing inter-correlations among latent constructs (Table 40) and by performing  $\chi^2$  square difference tests on different pairs of latent constructs (Table 41).

High but not perfect inter-correlations characterize pairs of latent constructs. Some correlations are quite high because some latent constructs represent different dimensions of customer loyalty dimensions or are perceived customer-orientation elements. Also,  $\chi^2$  difference tests provide evidence of discriminant validity present among pairs of latent constructs. The only two pairs that exhibit low discriminant validity are *products/services that satisfy customer* and *value adding relationships* with attitudinal loyalty construct. In these two cases, the estimated model was not identified. Hence, analysis could not be performed.

Table 40. Correlation Coefficients for Latent Constructs in the Measurement Model (Validation Sample)

Latent constructs	Latent constructs						
	Product	Employees	Relationships	PCO	Attitudinal L	Cognitive L	Behavioural L
Product	1.000						
Employees	0.784	1.000					
Relationships	0.864	0.697	1.000				
PCO	0.780	0.665	0.793	1.000			
Attitudinal L	0.733	0.538	0.693	0.564	1.000		
Cognitive L	0.487	0.369	0.505	0.378	0.604	1.000	
Behavioural L	0.717	0.479	0.577	0.525	0.751	0.649	1.000

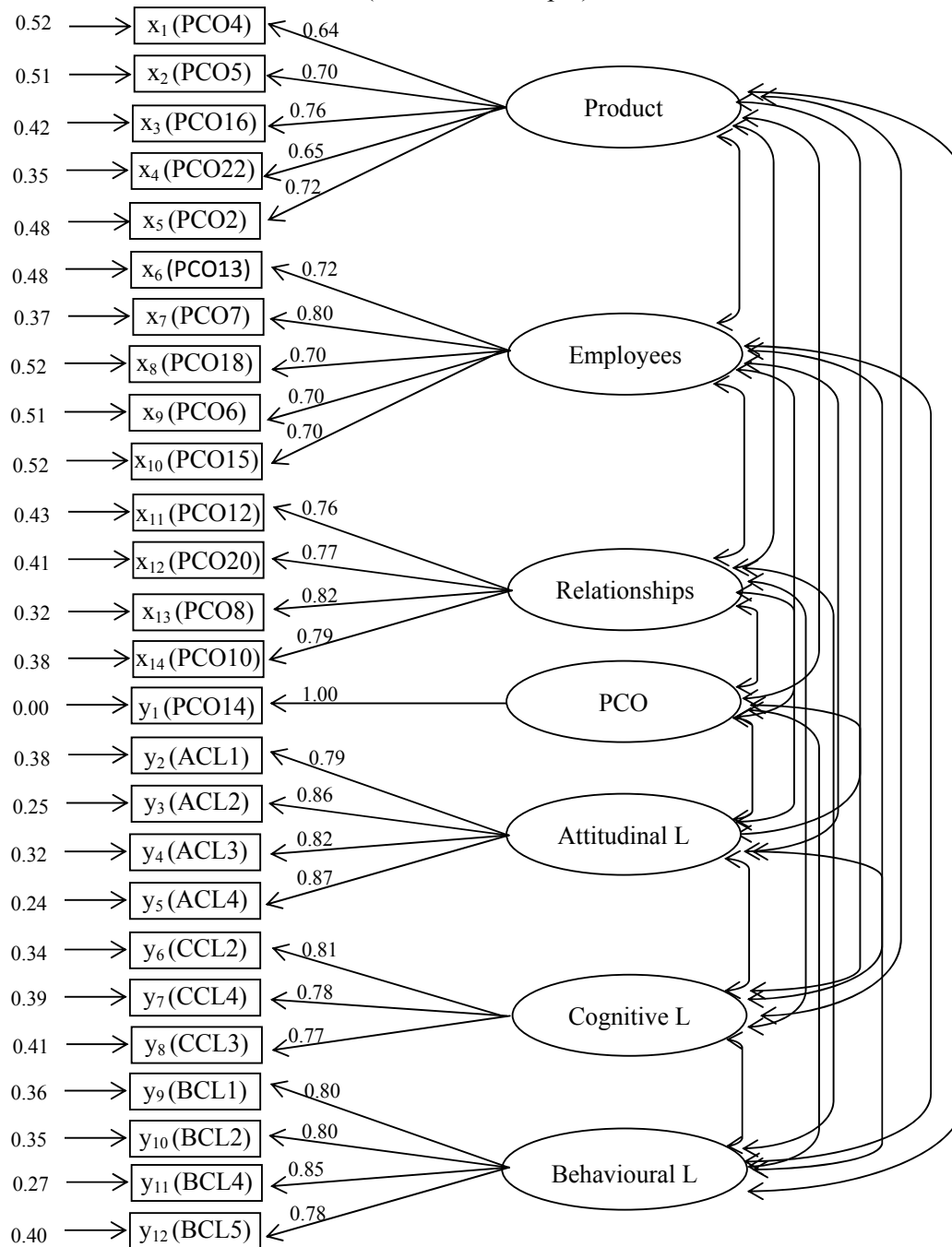
Table 41.  $\chi^2$  Difference Tests between Pairs of Latent Constructs in the Measurement Model (Validation Sample)

Pairs of latent constructs	$\chi^2$ difference test ( $D^2$ )
Product - Employees	$\Delta\chi_d^2(1) = 1152.887 - 1013.415 = 139.472^{**}$
Product - Relationships	$\Delta\chi_d^2(1) = 1087.923 - 1020.347 = 67.576^{**}$
Product - Attitudinal L	N.A.
Product - Cognitive L	$\Delta\chi_d^2(1) = 1378.074 - 1028.811 = 349.263^{**}$
Product - Behavioural L	$\Delta\chi_d^2(1) = 1333.635 - 1146.240 = 187.395^{**}$
Employees - Relationships	$\Delta\chi_d^2(1) = 1239.266 - 1021.039 = 218.227^{**}$
Employees - Attitudinal L	$\Delta\chi_d^2(1) = 1564.541 - 1054.677 = 509.864^{**}$
Employees - Cognitive L	$\Delta\chi_d^2(1) = 1449.359 - 1029.735 = 419.624^{**}$
Employees - Behavioural L	$\Delta\chi_d^2(1) = 1602.170 - 1069.551 = 532.619^{**}$
Relationships - Attitudinal L	N.A.
Relationships - Cognitive L	$\Delta\chi_d^2(1) = 1366.198 - 1035.955 = 330.243^{**}$
Relationships - Behavioural L	$\Delta\chi_d^2(1) = 1489.568 - 1074.345 = 415.223^{**}$
PCO - Attitudinal L	$\Delta\chi_d^2(1) = 2088.365 - 1188.067 = 900.298^{**}$
PCO - Cognitive L	$\Delta\chi_d^2(1) = 1755.404 - 1176.435 = 578.969^{**}$
PCO - Behavioural L	$\Delta\chi_d^2(1) = 1966.813 - 1204.173 = 762.64^{**}$
Attitudinal L - Cognitive L	$\Delta\chi_d^2(1) = 1345.583 - 1066.638 = 278.945^{**}$
Attitudinal L - Behavioural L	$\Delta\chi_d^2(1) = 1343.303 - 1097.855 = 245.448^{**}$
Cognitive L - Behavioural L	$\Delta\chi_d^2(1) = 1306.788 - 1080.509 = 226.279^{**}$

Note: N.A. = unconstrained model was unidentified; \*\* $p < 0.01$

The measurement model, as a whole, (Figure 9) has the following fit indices:  $\chi_d^2(279)=1011.109$  ( $p=0.0$ );  $\chi^2/df=3.62$ ; RMSEA=0.0788; NNFI=0.970; CFI=0.974; SRMR=0.0595). Hence, some indices indicate tolerable or mediocre fit, while others indicate acceptable fit.

Figure 9. Standardized Solution of the Measurement Model between Latent Constructs (Validation Sample)



Note: Because of their complexity, correlations between latent constructs are not incorporated and can be found in Table 39.

The next step after assessing a measurement model is to assess the structural model. The structural model to be cross-validated is presented in Figure 10 with its corresponding standardized values of indicator loadings and error variances (Table 42) and correlation coefficients for latent constructs (Table 43).



All explored relationships are of posited directions, that is, they are positively related to each other. Furthermore, *products/services that satisfy customers*, *friendly employees* and *value adding relationships* together explain 66.9% of variance in the perceived customer-orientation construct. Relationships of perceived customer orientation and customer loyalty dimensions explain variance in a relationship in following pattern. Perceived customer orientation and behavioural loyalty explain 59% of variance in the attitudinal loyalty construct, perceived customer orientation and attitudinal loyalty explain 31.5% of variance in the cognitive loyalty construct, and perceived customer orientation and cognitive loyalty together explain 50.3% of variance in the behavioural loyalty construct.

All indicators exhibit high t-values. This is also true for most of the structural relationships. However, the latent construct *friendly employees* fails to have a statistically significant relationship with perceived customer orientation at 5%. Nonetheless, it should be pointed out that for  $t=1.907$  the level of significance is 0.057, hence  $p<0.06$ . Therefore, bearing in mind that the level of significance is a little bit above 5% and that this alters the probability of making a Type I error (Field, 2009, p. 56), it was decided to keep the relation between *friendly employees* and perceived customer orientation within the model. It has to be noted that our sample does not represent the population censuses very well, and that most of the users in mobile telecommunications do not have contact with an organization's employees on any regular basis. Hence, it is assumed that these two circumstances bias the collected results and influence the low effect of the *friendly employees* construct on perceived customer orientation.

Other  $\gamma$  values, *products/services that satisfy customers* and *value adding relationships* exhibit statistically significant values, indicating their validity as elements of the perceived customer-orientation construct. All three perceived customer-orientation elements correlate moderately (Table 43) with dimensions of customer loyalty. This also demonstrates validity at the individual level.

An adequacy coefficient ( $R_a^2$ ) of 0.559 indicates that, on average, the majority of variance from first-order constructs is shared with their higher-order construct. This indicates their validity as a set of sub-dimensions. Error variance in the perceived customer-orientation construct is 0.331. This indicates that some items in first-order constructs might not have been chosen adequately.

Figure 10. Parameter Standardized Values for the Structural Model (Validation Sample)

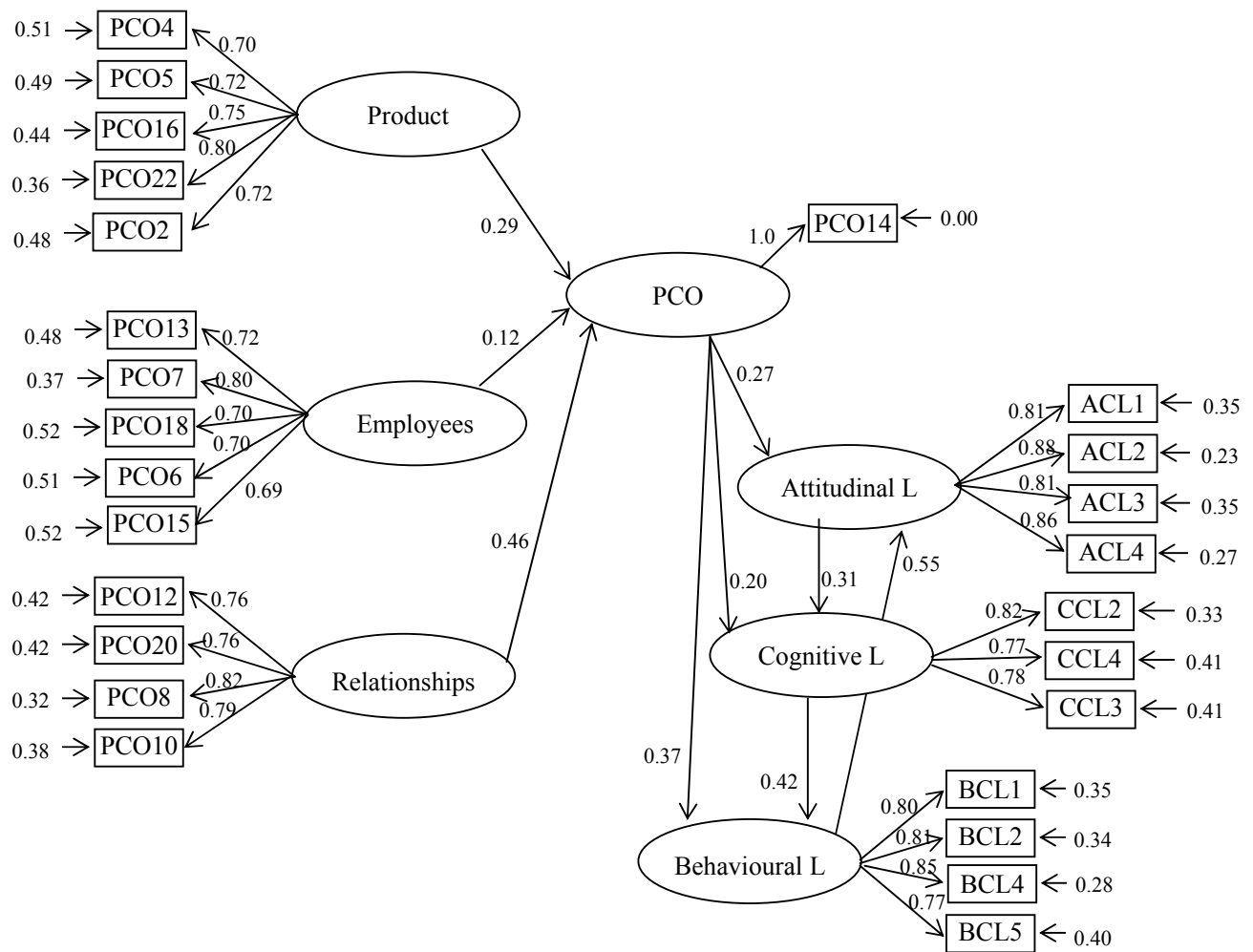


Table 42. Completely Standardized Values of Indicator Loadings and Error Variances in the Structural Model (Validation Sample)

Parameter	t	Parameter	t	Parameter	t	Parameter	t	Parameter	t					
$\lambda_{x1}$	0.703	14.343	$\delta_1$	0.505	13.453	$\lambda_{y1}$	1.000	-	$\varepsilon_1$	-	$\gamma_{11}$	0.293	2.918	
$\lambda_{x2}$	0.716	14.599	$\delta_2$	0.488	13.336	$\lambda_{y2}$	0.806	21.556	$\varepsilon_2$	0.351	12.480	$\gamma_{12}$	0.115	1.907
$\lambda_{x3}$	0.749	15.278	$\delta_3$	0.440	12.966	$\lambda_{y3}$	0.878		$\varepsilon_3$	0.228	10.332	$\gamma_{13}$	0.459	5.443
$\lambda_{x4}$	0.803	16.389	$\delta_4$	0.355	12.061	$\lambda_{y4}$	0.809	21.684	$\varepsilon_4$	0.346	12.426	$\beta_{21}$	0.269	6.019
$\lambda_{x5}$	0.723		$\delta_5$	0.477	13.262	$\lambda_{y5}$	0.857	23.988	$\varepsilon_5$	0.265	11.163	$\beta_{31}$	0.202	3.154
$\lambda_{x6}$	0.721	15.601	$\delta_6$	0.480	12.643	$\lambda_{y6}$	0.821	16.170	$\varepsilon_6$	0.327	9.209	$\beta_{41}$	0.368	8.146
$\lambda_{x7}$	0.796		$\delta_7$	0.367	11.220	$\lambda_{y7}$	0.772	15.491	$\varepsilon_7$	0.405	10.856	$\beta_{32}$	0.313	3.795
$\lambda_{x8}$	0.696	14.966	$\delta_8$	0.516	12.969	$\lambda_{y8}$	0.766		$\varepsilon_8$	0.413	11.002	$\beta_{43}$	0.419	6.788
$\lambda_{x9}$	0.702	15.109	$\delta_9$	0.508	12.900	$\lambda_{y9}$	0.804	20.093	$\varepsilon_9$	0.354	11.989	$\beta_{24}$	0.548	9.917
$\lambda_{x10}$	0.693	14.909	$\delta_{10}$	0.519	12.995	$\lambda_{y10}$	0.810	20.325	$\varepsilon_{10}$	0.343	11.989	$\Psi_{11}$	0.331	13.068
$\lambda_{x11}$	0.761	17.023	$\delta_{11}$	0.421	12.754	$\lambda_{y11}$	0.851		$\varepsilon_{11}$	0.276	10.664	$\Psi_{22}$	0.410	9.586
$\lambda_{x12}$	0.763	17.097	$\delta_{12}$	0.417	12.714	$\lambda_{y12}$	0.774	19.018	$\varepsilon_{12}$	0.401	12.553	$\Psi_{33}$	0.685	7.924
$\lambda_{x13}$	0.822	18.708	$\delta_{13}$	0.324	11.532							$\Psi_{44}$	0.497	9.159
$\lambda_{x14}$	0.787		$\delta_{14}$	0.381	12.331									

Table 43. Correlation Coefficients for Latent Constructs in the Structural Model (Validation Sample)

Latent constructs	Latent constructs						
	PCO	Attitudinal L	Cognitive L	Behavioural L	Product	Employees	Relationships
PCO	1.000						
Attitudinal L	0.556	1.000					
Cognitive L	0.376	0.594	1.000				
Behavioural L	0.525	0.747	0.649	1.000			
Product	0.779	0.434	0.293	0.409	1.000		
Employees	0.665	0.370	0.250	0.349	0.781	1.000	
Relationships	0.793	0.441	0.298	0.416	0.862	0.697	1.000

Next, appropriateness in modelling real data is checked with the sequence of nested models. Hence, saturated (Ms), null (Mn), theoretical (Mt), constrained (Mc) and unconstrained (Mu) model are calculated (Table 44). In the constrained model (Mc), the relation between perceived customer orientation and the cognitive loyalty dimension has the lowest correlation value. Hence, it is constrained. The unconstrained model (Mu) is constructed by assessing the relationships between *products/services that satisfy customers* and the behavioural loyalty dimension, and *value adding relationships* and attitudinal loyalty. These relationships have theoretical justification for their inclusion. Customers prefer and buy products/services that satisfy their needs. This will be reflected in repeated buying which indicates the presence of behavioural loyalty (Zeithaml, Berry & Parasuraman, 1996). Attitudinally loyal customers usually have a strong relationship with the organization (Hennig-Thurau, Gwinner & Gremler, 2002). Hence, organizations that pursue establishing relationships with customers will induce attitudinal loyalty. These nested models are compared based on a decision-tree

framework for the set of sequential  $\chi^2$  difference tests (SCDTs) (Anderson & Gerbing, 1988, p.420), and results are presented in Table 45.

Table 44. Nested Models Characteristics (Validation Sample)

Models	$\chi^2$	df	CFI	NNFI
Ms	1011.109	279	0.974	0.970
Mn	2829.442	300	0.910	0.902
Mt	1177.542	288	0.968	0.964
Mc	1188.105	289	0.968	0.964
Mu	1037.734	286	0.973	0.970

Table 45. Results of Sequential  $\chi^2$  Difference Test (Validation Sample)

Pairs of models	$\Delta\chi^2$	$\Delta DF$	p
Mt - Ms	1177.54 - 1011.109 = 166.431	288 - 279 = 9	p<0.01
Mc - Mt	1188.105 - 1177.542 = 10.563	289 - 288 = 1	p<0.01
Mt - Mu	1177.542 - 1037.734 = 139.808	288 - 286 = 2	p<0.01
Mu - Ms	1037.734 - 1011.109 = 26.625	286 - 279 = 7	p>0.05

By adding these two additional relationships, a less parsimonious model was gained. This unconstrained model (Mu) has the following goodness-of-fit indices:  $\chi^2_d(286)=1037.734$  (p=0.0);  $\chi^2/df=3.62$ ; RMSEA=0.0791; NNFI=0.970; CFI=0.973; SRMR=0.0620. In particular, the RMSEA and SRMR indices indicate a reasonable fit. In comparison, the indices of the proposed theoretical model are:  $\chi^2_d(288)=1177.542$  (p=0.0);  $\chi^2/df=4.09$ ; RMSEA=0.0855; NNFI=0.964; CFI=0.968; SRMR=0.107, hence, indicating mediocre fit. The theoretical model is more parsimonious and provides adequate explanation of the included relationships. Furthermore, in the unconstrained model, it is evident that perceived customer-orientation sub-dimensions share some variance directly with a particular customer loyalty dimension. This is consistent with the notion of the model's mediocre fit for real data.

According to the results of the power test for models, both the proposed theoretical and unconstrained models reach a value of one in the test of exact fit, as well as in the test of close fit. Therefore, both models could be accepted. Hence, the proposed theoretical model could also be retained.

A nomological network is used to assess validity of perceived customer orientation as a multidimensional structure. In the nomological network, customer loyalty dimensions are modelled and assessed. The conducted  $\chi^2$  difference tests demonstrate the nomological validity of conceptualizing perceived customer orientation as a second-order formative construct. Results are presented in Table 46.

Table 46. Results of  $\chi^2$  Difference Test for Perceived Customer Orientation (Validation Sample)

Pairs of models	$\Delta\chi^2$	$\Delta DF$	p
Mu-Mc (attitudinal loyalty)	1274.597 - 1128.409 = 146.188	290 - 266= 24	p<0.01
Mu-Mc (cognitive loyalty)	1200.089 - 1025.132 = 174.957	290 - 266= 24	p<0.01
Mu-Mc (behavioural loyalty)	1231.911 - 1079.408 = 152.503	290 - 266= 24	p<0.01

A similar conclusion can be reached by examining the direct and indirect effects of perceived customer orientation (Table 47). Hence, the indirect effects of perceived customer-orientation elements on customer loyalty dimensions are lower than the direct effects of perceived customer orientation on the same consequence, once again affirming the nomological validity of perceived customer orientation.

Table 47. Direct and Indirect Effects of Perceived Customer-Orientation Elements on Customer Loyalty Dimensions (Validation Sample)

Customer loyalty dimensions	Indirect effects			Total effects
	Product	Employees	Relationships	PCO
Attitudinal L	0.163	0.064	0.256	0.556
Cognitive L	0.110	0.043	0.173	0.376
Behavioural L	0.154	0.061	0.241	0.525

Note: p<0.05 for all values

Additionally, all relationships but one in the model are statistically significant at p<0.05 level. Moreover, all relationships are in accordance with the posited positive relation. This contributes to the conclusion of nomological validity at the model level.

Calibration sample results (Table 35) are in line with the relationships among latent constructs within the validation sample (Table 48). Hence, no further elaboration is needed.

The only difference with the calibration sample is in the conditional acceptance of *friendly employees* as a perceived customer-orientation element. As mentioned before, this relationship is statistically significant at a p<0.06 level. Therefore, further research is required to clarify and identify the influences on its low parameter value (0.115) and, if needed, re-specify items that measure this latent construct.

Table 48. Relationships between Researched Constructs (Validation Sample)

Relationships	Standardized parameter	t-value	Decision
Products/services that satisfy customers → perceived customer orientation (H1a)	0.293	2.918	Accept
Friendly employees → perceived customer orientation (H1b)	0.115	1.907	Conditionally accept
Value adding relationships → perceived customer orientation (H1c)	0.459	5.443	Accept
Perceived customer orientation → attitudinal loyalty (H2a)	0.269	6.019	Accept
Perceived customer orientation → behavioural loyalty (H2b)	0.368	8.146	Accept
Perceived customer orientation → cognitive loyalty (H2c)	0.202	3.154	Accept

To perform cross-validation, the calibration and validation samples should be compared. In this process of cross-validation, different strategies can be used. Depending on the number of parameters that are freed or constrained, loose, tight and moderate strategies for cross-validation can be applied (Diamantopoulos & Sigauw, 2000, p.131). A loose strategy assumes that the values of all parameters are allowed to differ between samples, while in a tight replication strategy all parameters between samples are assumed to be equal. In a moderate replication strategy, parameters reflecting measurement and/or structural paths are fixed, while others are set free.

In performing cross-validation strategy, two different samples, that is, the calibration and validation sample, are simultaneously analysed. This analysis is performed with multi-sample analysis features. This analysis assumes that parameters are equal across all analysed groups. Only parameters that are different have to be stated (Diamantopoulos & Sigauw, 2000, p.133). Hence, samples are cross-validated using multi-sample analyses with tight and moderate replication strategy. In tight replication strategy, the same model specifications are used. Also, all parameters are fixed to the values estimated from the calibration sample. So, identical parameter estimates would be assumed between the validation and the calibration sample. This is different when moderate replication strategy is used. In moderate replication strategy, some critical parameters reflecting measurement and/or structural paths are fixed to values estimated from the calibration sample, while others, error variances, for example, are set free and subsequently estimated on the validation sample.

Hence, using tight replication strategy, all parameters are assumed to be equal. When using moderate replication strategy, covariances among latent exogenous constructs, *products/services that satisfy customers*, *friendly employees* and *value adding relationships*, and covariances among error variances of latent endogenous constructs, attitudinal, cognitive and behavioural loyalty, are set free.

A  $\chi^2$  difference test is performed on the results obtained to identify differences between using different replication strategies. Both the calibration and the validation sample contribute equally to the model's overall  $\chi^2$  value, that is, 49% and 51% respectively. The  $\chi^2$  difference test ( $D^2$ ) is performed to explore whether any differences exist among groups when different replication strategies are used. The results of the  $\chi^2$  difference test ( $D^2$ ) between tight and moderate replication strategies indicate a 3.444 difference ( $2386.394 - 2382.95 = 3.444$ ) in  $\chi^2$  values for four degrees of freedom ( $639 - 635 = 4$ ). This is not a significant change and implies that the model replicates well, even under strict conditions. Results are presented in Table 49.

Table 49. Results of Tight and Moderate Replication Strategy for Cross-Validation

Elements	Tight replication strategy		Moderate replication strategy	
	$\chi^2$ contribution	% of contribution to $\chi^2$	$\chi^2$ contribution	% of contribution to $\chi^2$
Group 1	1177.838	49.36	1176.173	49.36
Group 2	1208.557	50.64	1206.777	50.64
Global $\chi^2$	2386.394		2382.95	
Global df	639		635	

Note: Group 1 = calibration sample, Group 2 = validation sample

Hence, taking into consideration the stated parameters that endanger model fit, it is possible to conclude that perceived customer orientation can be modelled as a formative construct with the following elements: *products/services that satisfy customers, friendly employees and value adding relationships*. Furthermore, relating perceived customer orientation to customer loyalty dimensions establishes a nomological network that is, in most of the research, taken as granted. Moreover, customer loyalty can be researched as consisting of three different dimensions: behavioural, attitudinal and cognitive loyalty.

## RESEARCH IMPLICATIONS

### 1 Theoretical and methodological contributions

This doctoral dissertation contributes to the field of knowledge in customer orientation and customer loyalty. The first contribution is found in providing an overview of different approaches to market orientation. Furthermore, the distinction between market and customer orientation is provided. A profound elaboration of customer orientation is given with emphasis on constant value provision for customers. The concept of value is explored, and the need for accepting customers as assets in the value creation process is highlighted. Furthermore, value conceptions from different standpoints, preconditions and influences on value creation, as well as elements that create customers value, are provided. This contributes to establishing a framework for managing customer relationships and identifying a customer-oriented organization.

The next contribution lies in the customer-loyalty literature overview. Different conceptualizations, as well as different approaches to customer loyalty, are evaluated. Distinction is made between authors who approach customer loyalty as a one-dimensional construct or a multidimensional construct, or those who describe customer loyalty as a set of sequential phases. An extensive elaboration of behavioural, attitudinal and cognitive customer loyalty dimensions is provided. This presents the groundwork for the empirical research conducted. In addition, elements indispensable in managing customer loyalty are provided. Influences on the establishment and development of customer loyalty are also critically presented and explained. Hence, a review is given of what customer loyalty is and how it can be amplified.

A theoretical contribution also lies in a comprehensive overview of different approaches to measuring and researching customer orientation. In this overview, different approaches to customer orientation are highlighted. Different researches are classified according to the objects they explored, the persons who evaluated customer orientation, and the dimensions of customer orientation of which they became aware. Based on this, a new approach to customer orientation from the end-customer perspective is offered. In this approach, customer orientation is researched as a multidimensional construct consisting of *products/services for satisfy customers*, *friendly employees* and *value adding relationships*. This provides a new perspective in assessing customer-oriented organizations.

The multidimensional approach to customer loyalty presents another theoretical contribution. In researching customer loyalty, different approaches to its dimensionality are applied. Hence, customer loyalty is researched as a one-dimensional or multidimensional construct. When a multidimensional approach is applied, researchers predominantly distinguish between two dimensions: attitudinal and behavioural loyalty. By introducing cognitive loyalty to the research framework, customer loyalty dimensionality is extended. Furthermore, research reveals that customer loyalty can be approached as a construct consisting of three separate dimensions: attitudinal, behavioural and cognitive loyalty.

Customer orientation is nested within a nomological network together with customer loyalty. This relationship is often taken as granted and, therefore, not explored in most of the cases. Relating customer orientation and customer loyalty within a nomological network is another contribution to the theory. Hence, this research contributes in a theoretical sense by providing support for the recognized relationship between customer orientation and loyalty. Similar to previous researches, customer loyalty is explored as a multidimensional construct consisting of behavioural, attitudinal and cognitive dimensions. The research conducted reveals that not all relationships between customer orientation and loyalty are of the same magnitude. The highest relation is experienced between customer orientation and behavioural loyalty, and the lowest, between customer orientation and cognitive loyalty. Hence, in researching customer loyalty, researchers should distinguish between different dimensions.



A methodological contribution lies in exploring customer orientation from the end-customer perspective. As a result, a new scale of perceived customer orientation is offered based on literature review and interviews with experts. The proposed scale is further refined through Churchill's (1979) framework for scale development. Moreover, the perceived customer-orientation scale is assessed for its reliability and validity (convergent, discriminant and nomological). In addition, it can be concluded that the perceived customer-orientation scale is adequate for use in researching customer orientation from the end-customer perspective.

An additional methodological contribution is found in the formative conceptualization of the perceived customer-orientation scale. Hence, perceived customer orientation is modelled as a second-order formative construct with first order-reflective elements. Accordingly, tests for its appropriate conceptualization are also conducted. *Products/services that satisfy customers*, *friendly employees* and *value adding relationships* are conceptualized as proposed elements of the perceived customer-orientation scale. Adequate tests for assessing formative constructs offer evidence for this conceptualization. In model cross-validation, *friendly employees* was the only element to exhibit somewhat lower statistical significance. This indicates that perceived customer orientation can be conceptualized as a formative construct consisting of the aforementioned elements.

Approaching customer loyalty as a three-dimensional construct presents an additional methodological contribution. In past research, the two-dimensional approach to customer loyalty, including the behavioural and attitudinal dimension, is mainly used. Incorporating the cognitive loyalty dimension into customer loyalty research offers an additional perspective of consumer behaviour. Hence, as analysis shows, cognitive loyalty is perceived as a distinct construct and can be included in customer loyalty conceptualization.

Another methodological contribution lies in testing the proposed model by using the split sample procedure, that is, by developing a model on the calibration sample and validating it on the validation sample, as Diamantopoulos and Siguaw (2000) propose. This procedure is applied to assess how well the model replicates on other samples. Considering all the limitations noted, we can say that the model equally replicates on other samples.

## **2 Managerial implications**

This dissertation offers an overview of customer orientation and customer loyalty. All relevant elements that stimulate their establishment and growth are analysed and presented. Furthermore, suggestions for organizations are also offered, and obstacles to avoid are stated. By incorporating customer orientation and a loyalty framework into their businesses, organizations can gain in multiple ways. First, present customers will be more willing to continue doing business with an organization, because they are treated like partners, and their wishes are recognized and acted upon. Hence, they will stay with the organization and, consequently, the organization needs to make fewer efforts in acquiring new customers. Second, in customer-oriented organizations, a different mind-set is established among

managers, as well as among employees. The underpinning element of this mind-set is the value co-creation concept. From an organization's point of view, the first step in value provision is accepting that customers have to be treated like valuable assets. In addition, by developing partner relationships, an organization can gain valuable information, which it can utilize in its business development. Third, customer orientation is related to the enhanced performance of an organization. So, with its implementation, positive results can be gained.

By recognizing different elements, managers can more easily enhance customer orientation. By distinguishing those elements that form perceived customer orientation, an organization can act accordingly. Furthermore, enhancing one element at a time helps organizations to efficiently allocate financial and other resources and, as a consequence, boosts perceived customer orientation. Customer orientation is perceived as important in new market conditions because it is related to an organization's performance. So, by enhancing its customer orientation, an organization will also augment its performance. The decision to improve a certain element of perceived customer orientation depends on an organization's strategic plans. Nonetheless, managers who decide to enhance perceived customer-orientation elements will positively influence the organizations' performance. *Value adding relationships* was found to be the most influential element. Accordingly, an organization can gain the most by providing and developing value that will establish and reinforce certain relationships with customers.

This influence on an organization's performance is achieved through customer loyalty. Customer loyalty is related to an organization's performance through its different outcomes, such as referrals, cross-buying, insensitivity of buying and so on. Hence, customers with a higher level of customer loyalty will, consequently, through their behaviour, influence an organization's performance. So, a manager who decides to focus business efforts on altering customer loyalty has to keep the different dimensions of customer loyalty in mind. This research shows that a difference exists among behavioural, attitudinal and cognitive customer loyalty. Managers have to explore which dimension of customer loyalty characterizes their organization's target market segment and then conduct activities to enhance that dimension. Furthermore, managers have to bear in mind that different dimensions have to be enhanced in a different manner. The customer loyalty dimension that is enhanced the most by perceived customer orientation is the behavioural loyalty dimension. However, a manager should not neglect the cross influences between different customer loyalty dimensions that can help to augment an organization's performance.

Distinguishing between different dimensions of customer loyalty can help managers to more easily enhance overall customer loyalty. This is possible through targeted actions aimed at improving a certain customer loyalty dimension that is found to be influential in their field of business. As a consequence an organization can more quickly gain benefits related to customer loyalty.

Once managers have decided that an organization should focus on developing customer orientation, customer loyalty will grow as a result. Hence, by enhancing certain perceived customer orientation elements, managers can enhance customer loyalty and, as a consequence, the organization's performance will improve.

The penetration rate is high in mobile telecommunications, and competition is fierce. In most cases, price seems to be a very important way of gaining and keeping customers. However, an organization can achieve long term benefits by increasing customer loyalty. One of the possibilities that this research explores is to increase perceived customer orientation, which will consequently boost customer loyalty. On the other hand, perceived customer orientation can be increased by providing products/services that satisfy customers, by educating employees to be friendlier, and by creating value adding relationships between customers and the organization. If these efforts are properly managed, a mobile telecommunication operator will be able to differentiate from its competitors and achieve a positive outcome.

### **3 Limitations and suggestions for further research**

As mentioned in the model testing section, several limitations have been noticed. First, model fit is characterized by mediocre values for the calibration sample, as well as the validation sample. Second, sequential  $\chi^2$  difference tests reveal the presence of several direct relationships between perceived customer-orientation elements (*products/services that satisfy customers* and *value adding relationships*) and attitudinal and behavioural loyalty. This emphasizes the need of carefully scrutinizing the proposed perceived customer-orientation scale. This can be done by considering the 33 selected statements that entered the pilot research in the first place and, consequently, conducting a field research with all of them. Furthermore, it would be advisable to choose an item that more broadly covers the essence of perceived customer orientation in a formative construct, as the currently used item is narrowly related to customer satisfaction. Also, items' wording should be additionally re-examined for possible respondent misunderstanding. All this could contribute to better determining perceived customer orientation elements.

Third, in the validation sample, one of the relationships in the model, that is, *friendly employees* and perceived customer orientation, was found to be significant at  $p < 6\%$ . Hence, the solution to this problem is rechecking and scrutinizing the measurement items of the proposed latent constructs, as suggested earlier.

This is in accordance with the resulting limitation observed as quite a large error variance (0.350). Error variance is referred as an indication of construct validity at the formative construct level. Moreover, in formative models, error term is a function of all selected indicators, and it also depends on the selection of additional constructs used to attain model identification (Diamantopoulos, 2006, p. 14). Hence, it is possible that certain items in perceived customer orientation sub-dimensions are not adequately chosen.

Furthermore, the explored relationships between several latent constructs were found to be relatively small values, ranging from 0.202 to 0.459. It is assumed that other concepts, not included in the model, influence the formation of customer loyalty among an organization's customers. Hence, it is advisable to extend the proposed model by including certain new concepts, such as commitment (Dean, 2007; Henning-Thurau, Gwinner & Gremler, 2002), different switching barriers (Keaveney, 1995; Fornell, 1992), image (Aydin & Özer, 2005) or value (Blackwell, Szeinbach, Barnes, Garner & Bush, 1999; Parasuraman & Grewal, 2000).

One of the limitations is also found in the research sample that mostly comprises female students. The student population is not seen as a limitation, since young people are the ones who largely use mobile telecommunications and, hence, the ones with the most of experience in this field. The age of respondents, however, is seen as a limitation, considering that about 60% of the respondents are aged 19-24. Hence, a different sample would be required that more adequately represents the mobile telecommunication population. Such sample could be obtained by forming a quota sample.

Furthermore, it could be interesting to research perceived customer orientation and customer loyalty in different service contexts, considering the possibility that the relationships explored do differ in different situations. While it is assumed that the relationships will be present, the magnitude of their influence is likely to be different. This indicates that one element could be more important than other elements in building customer orientation or enhancing customer loyalty in different service industries.

At present, three operators exist in the Croatian mobile telecommunication sector. So, it could be advisable to explore dyads of relationships between mobile telecommunication users and providers. This could be interesting to discover whether the customers of different mobile telecommunication operators exhibit different patterns of behaviour. Likewise, research could relate the customer-oriented organization from the manager perspective with perceived customer orientation, that is, customer orientation from the customer perspective.

Additionally, as this is the first time this perceived customer-orientation scale has been proposed, it would be wise to re-check it in different service sectors and to compare results. The proposed scale could be further validated exploring other service sectors, such as the financial or banking sector, as well as entertainment services, such as the theatre. The results obtained could contribute to establishing a perceived customer-orientation scale as the appropriate scale for exploring an organization's customer orientation from the customer perspective.

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## APPENDIX I

### QUESTIONNAIRE

#### RESEARCHING CUSTOMER ORIENTATION AND LOYALTY IN CROATIAN MOBILE TELECOMMUNICATIONS

The following questionnaire is connected with doctoral research: Customer orientation and loyalty in mobile telecommunications. The questionnaire is anonymous, and all answers will be used in an aggregated form for doctoral dissertation purposes. Please provide sincere answers to all questions.

Questions are related to mobile telecommunications operators. We are aware that some of you are using multiple mobile telephone operators. Therefore, please take into account that your answers should refer to only one mobile telephone operator, that is, the mobile operator that you consider to be your primary mobile telephone operator. Your primary mobile operator is the one you use the most. If it is the case that you equally use several mobile operators, please choose one and provide answers just for that mobile telephone operator. Consequently, in the questionnaire, you will be asked to indicate which mobile telephone operator you have chosen as your primary one. The abbreviation MMO used in the questionnaire stands for “my mobile operator”, that is, your primary (mostly used) mobile telephone operator.

**In the following set of questions, please indicate your agreement or disagreement with the provided statements. Please use following scale:**

Completely disagree	Disagree	Disagree to a certain extent	Nor disagree nor agree	Agree to a certain extent	Agree	Completely agree
1	2	3	4	5	6	7

#### Statements related to mobile telephone operator's customer orientation:

I sense that MMO takes care of me.	1	2	3	4	5	6	7
MMO respects my needs.	1	2	3	4	5	6	7
I'm often thrilled with the new products/services MMO introduces.	1	2	3	4	5	6	7
MMO is creative in developing new offerings intended to satisfy customer needs.	1	2	3	4	5	6	7
Products/services of MMO are tailored to customer requirements.	1	2	3	4	5	6	7
MMO employees try more than expected to satisfy customer needs.	1	2	3	4	5	6	7
MMO employees always try to help me and resolve my problem.	1	2	3	4	5	6	7
MMO treats me as if I'm exceptional.	1	2	3	4	5	6	7
I sense that MMO treats me like partner.	1	2	3	4	5	6	7
MMO develops collaborative relationship with consumers.	1	2	3	4	5	6	7
If I have a question related to using MMO product/services, employees give an explanation in an understandable way.	1	2	3	4	5	6	7
I sense that MMO cares about my satisfaction.	1	2	3	4	5	6	7
I sense that MMO resolves complaints quickly and in an uncomplicated way.	1	2	3	4	5	6	7
I sense that MMO satisfies my needs.	1	2	3	4	5	6	7
When I'm interested in MMO products/services, I sense that its employees are offering me something that suits my needs the best.	1	2	3	4	5	6	7
Based on information I get from MMO, I can create realistic	1	2	3	4	5	6	7



expectations about products/services.							
I sense that MMO offers added value.	1	2	3	4	5	6	7
MMO practice creates trust.	1	2	3	4	5	6	7

**Statements related to loyalty to a mobile telephone operator:**

I consider myself to be a loyal customer of MMO.	1	2	3	4	5	6	7
I consider myself to be dedicated to doing business with MMO.	1	2	3	4	5	6	7
I am proud to use MMO.	1	2	3	4	5	6	7
I have a very strong relationship with MMO.	1	2	3	4	5	6	7
I believe MMO provides more benefits than other mobile operators.	1	2	3	4	5	6	7
If MMO were to raise its prices, I would continue to be a customer.	1	2	3	4	5	6	7
Price is not an important factor in my decision to remain with MMO.	1	2	3	4	5	6	7
I will continue to use MMO products/services.	1	2	3	4	5	6	7
I consider MMO my first choice in buying mobile telephone services.	1	2	3	4	5	6	7
I intend to use other products/services from MMO.	1	2	3	4	5	6	7
If I bought a new mobile telephone line, I would prefer that of MMO.	1	2	3	4	5	6	7
If a competitor were to offer better prices or a discount, I would switch.	1	2	3	4	5	6	7
I am willing to pay more for MMO products/services, than for others.	1	2	3	4	5	6	7

**In the following set of questions, please circle the symbol that is next to your answer:**

<p>Please indicate your primary (most frequently used) mobile operator:</p> <ul style="list-style-type: none"> <li>❖ T-mobile</li> <li>❖ Tele 2</li> <li>❖ Tomato</li> <li>❖ Vipnet</li> </ul>	<p>Please indicate the mobile telephone operators that you use, if you use pre-paid or post-paid services (select all that apply):</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> T-mobile – post-paid</li> <li><input type="checkbox"/> Tele 2 – post-paid</li> <li><input type="checkbox"/> T-mobile – pre-paid</li> <li><input type="checkbox"/> Tomato</li> <li><input type="checkbox"/> Vipnet – post-paid</li> <li><input type="checkbox"/> Vipnet – pre-paid</li> </ul>
<p>Please indicate monthly spending (in HRK) for all yours mobile telecommunications services:</p> <ul style="list-style-type: none"> <li>❖ up to 100 HRK/month</li> <li>❖ 101 - 200 HRK/month</li> <li>❖ 201 - 300 HRK/month</li> <li>❖ 301 - 400 HRK/month</li> <li>❖ 401 - 500 HRK/month</li> <li>❖ more than 501 HRK/month</li> </ul>	<p>Please indicate the length of the relationship with your primary mobile operator:</p> <ul style="list-style-type: none"> <li>❖ less than 1 year</li> <li>❖ more than 1 and less than 3 years</li> <li>❖ more than 3 and less than 5 years</li> <li>❖ more than 5 and less than 7 years</li> <li>❖ more than 7 and less than 10 years</li> <li>❖ more than 10 years</li> </ul>
<p>Please indicate the additional services that you use with your primary mobile telephone operator (select all that apply):</p> <ul style="list-style-type: none"> <li>❖ Internet</li> <li>❖ Wireless Internet</li> <li>❖ MMS</li> <li>❖ WebSMS</li> <li>❖ Mobile paying</li> <li>❖ Other, please add: _____</li> </ul>	<p>Please indicate your gender: Female Male</p> <p>Please indicate your household income:</p> <ul style="list-style-type: none"> <li>❖ above average</li> <li>❖ average</li> <li>❖ below average</li> </ul> <p>Please indicate the number of household members:</p> <ul style="list-style-type: none"> <li>❖ two or less</li> <li>❖ three</li> <li>❖ four</li> </ul>

<p>Please indicate your education level:</p> <ul style="list-style-type: none"> <li>❖ elementary school</li> <li>❖ high school</li> <li>❖ undergraduate</li> <li>❖ graduate</li> <li>❖ post graduate</li> <li>❖ PhD</li> </ul> <p>Please indicate your current status:</p> <ul style="list-style-type: none"> <li>❖ scholar</li> <li>❖ student</li> <li>❖ unemployed</li> <li>❖ employed</li> <li>❖ retired</li> <li>❖ Other, please add: _____</li> </ul>	<p style="text-align: center;">five or more</p> <p>Please indicate your age group:</p> <ul style="list-style-type: none"> <li>❖ less than 15</li> <li>❖ 15-18</li> <li>❖ 19-21</li> <li>❖ 21-24</li> <li>❖ 25-30</li> <li>❖ 31-37</li> <li>❖ 38-45</li> <li>❖ 46-54</li> <li>❖ 55-65</li> <li>❖ more than 66</li> </ul>
<p>Household's place of residence:</p> <ul style="list-style-type: none"> <li>❖ Northern Croatia</li> <li>❖ Lika</li> <li>❖ Gorski Kotar</li> <li>❖ Kvarner and Kvarner islands</li> <li>❖ Dalmatia</li> <li>❖ Istria</li> <li>❖ Slavonia</li> <li>❖ Central Croatia</li> <li>❖ Other, please add: _____</li> </ul>	<p>Number of inhabitants in place of residence:</p> <ul style="list-style-type: none"> <li>❖ up to 2 000</li> <li>❖ 2000 – 5000</li> <li>❖ 5000 – 10000</li> <li>❖ 10000 – 25000</li> <li>❖ 25000 -75000</li> <li>❖ more than 75000</li> </ul>

Thank you for your time!

**DOCTORAL DISSERTATION SUMMARY IN SLOVENE**

UNIVERZA V LJUBLJANI  
EKONOMSKA FAKULTETA

JASMINA DLAČIĆ

**NARAVNANOST NA PORABNIKE IN ZVESTOBA PORABNIKOV MOBILNIH  
TELEKOMUNIKACIJ**

POVZETEK DOKTORSKE DISERTACIJE

Ljubljana, 2012

Doktorska disertacija opredeljuje področje poslovnih ved ter vključuje naslednjih pet poglavij: Uvod, Teoretična izhodišča, Empirična raziskava, Rezultati empirične raziskave in Ovrednotenje raziskave. V nadaljevanju povzemam vsebino posameznih poglavij.

## UVOD

Uvod predstavlja prvi del doktorske disertacije. V tem delu predstavljam raziskovalno področje in probleme, povezane z le-tem. Opredelim temo disertacije in osrednje raziskovalno vprašanje. Predstavim raziskovalne domneve, ki se vežejo na raziskovalno vprašanje ter opredelim namen in cilje raziskovanja. Obenem predstavim potencialni prispevek z vidika razširjanja teoretičnega znanja, metodološki prispevek ter prispevek za vodstva podjetij. Na koncu predstavim še samo strukturo disertacije.

Temeljno raziskovalno vprašanje disertacije se nanaša na: Kako je zaznana naravnost na porabnike povezana z zvestobo porabnikov, ki je konceptualizirana kot čustvena, vedenjska in kognitivna zvestoba. Na podlagi raziskovalnega vprašanja sta oblikovani dve skupini raziskovalnih domnev. Prva skupina se nanaša na zaznano naravnost na porabnike. Zaznana naravnost na porabnike je modelirana kot formativen konstrukt. V skladu s tem se prva skupina raziskovalnih domnev nanaša na povezave konstruktov prvega reda z zaznano naravnostjo na porabnike. Torej, zaznava izdelkov/storitev, ki ustvarjajo zadovoljstvo porabnikov, zaznava prijaznih zaposlenih in odnosi ki gradijo vrednost v razmerju z zaznano naravnostjo na porabnike. Druga skupina raziskovalnih domnev zajema povezavo med zaznano naravnostjo na porabnike in njihovo zvestobo. Torej, zaznana naravnost na porabnike je pozitivno povezana s čustveno, vedenjsko in kognitivno zvestobo.

Namen disertacije je empirično raziskovati povezave med naravnostjo na porabnike in njihovo zvestobo. Navedeno je pomembno predvsem z vidika ravnanja s porabniki. Izboljševanje naravnosti na porabnike spreminja način vedenja organizacije do svojih porabnikov. V organizaciji to vpliva predvsem na ravnanje odnosov s porabniki. Vzpostavljanje dolgoročnih odnosov s porabniki, s poudarkom na vrednosti, ki jim jo organizacija ponuja, pozitivno vpliva na zvišanje porabnikove zvestobe. Zvesti porabniki posledično ustvarijo različne pozitivne vplive na poslovni rezultat organizacije. Raziskava bo razširila obstoječe védenje, ki se nanaša na naravnost na porabnike in njihovo zvestobo in ki je v literaturi zelo redko empirično obdelano. Posebej bo tudi obravnavan vidik porabnikov pri ocenjevanju naravnosti na le-te. Navedeno bo torej razširilo obstoječe znanje in s tem prispevalo k njegovi nadgradnji.

Cilj raziskave izhaja iz zgoraj pojasnjene namena disertacije. Cilj je torej analizirati povezavo med naravnostjo na porabnike in zvestobo porabnikov v mobilnih telekomunikacijah. Ostali podcilji zajemajo obravnavo teoretičnih prispevkov, ki obsegajo naravnost na porabnike in njihovo zvestobo; razvijanje merskega instrumenta za merjenje naravnosti na porabnike z vidika porabnikov (zaznana naravnost na porabnike).

Empirično pa bo preverjen konceptualni model na področju mobilnih telekomunikacij na Hrvaškem.

## **1 TEORETIČNO OZADJE**

V delu disertacije, ki obravnava teoretične prispevke obstoječih raziskav, predstavim porabnika kot izhodiščno točko v procesu ustvarjanja vrednosti in obravnavam izhodišča porabnikove zvestobe.

### **1.1 Porabnik kot izhodiščna točka v procesu ustvarjanja vrednosti**

V prvem delu teoretičnega ozadja disertacije opredelim naravnost na porabnike in razpravljam o ustvarjanju vrednosti za porabnike.

#### **1.1.1 Opredelitev naravnosti na porabnike**

Trženjski koncept v osredje postavlja porabnike in prilagajanje njihovim zahtevam. Sama implementacija trženjskega koncepta je v literaturi prikazana skozi tržno naravnost (Kohli & Jaworski, 1990; Lafferty & Hult, 2001). Konceptualizacija tržne naravnosti je vidna skozi različne perspektive (Lafferty & Hult, 2001; Van Raaij & Stoelhorst, 2008), ki poudarjajo različne smeri razvoja koncepta.

Implementacija tržne naravnosti je povezana s povečanjem poslovne uspešnosti (Jaworski & Kohli, 1993; Narver & Slater, 1990), njen cilj pa je nenehno nudenje večje vrednosti porabnikom. Za nekatere avtorje (Kohli & Jaworski, 1990) sta tržna naravnost in naravnost na porabnike sinonima. Drugi (Narver & Slater, 1990) pa ju razlikujejo in menijo, da je naravnost na porabnike pravzaprav element tržne naravnosti.

Po drugi strani Deshpande, Farley in Webster (1993), Olson, Slater in Hult (2005) naravnost na porabnike proučujejo samostojno. V organizacijah, ki implementirajo naravnost na porabnike, je kultura organizacije usmerjena na porabnike. V skladu s tem, naravnost na porabnike poudarja porabnika kot steber strateškega načrtovanja ter implementacije (Chen, Yu, Yang & Chang, 2004) in kot dejavnik trajnostne konkurenčne prednosti (Appiah-Adu & Singh, 1998).

Stalna skrb za porabnike in vzpostavitev odnosov z njimi organizaciji omogoča, da svoje izdelke/storitve prilagaja zahtevam porabnika (Wang & Lo, 2003). Na ta način ustvarja zadovoljstvo porabnikov. Zadovoljstvo je razvidno iz povečanja vrednosti, ki jo izdelki/storitve organizacije ponujajo porabnikom (Anderson, Fornell & Lehmann, 1994). Omenjeno ustvarja vzdušje, da organizacija skrbi za svoje porabnike (Dean, 2007).

Pomembno vlogo pri implementaciji naravnosti na porabnike imajo zaposleni (Baker, 2002). Njihov odnos do porabnikov ustvarja zadovoljstvo le-teh (Hajjat, 2002). Nadalje, zadovoljni zaposleni so tudi bolj prijazni in nudijo porabnikom izdelke/storitve, ki bodo

najbolje zadovoljili njihove potrebe (Thomas, Soutar & Ryan, 2001). Zato lahko rečemo, da zaposleni, ki so naravnani na porabnike, pozitivno delujejo na percepcijo, da je tudi celotna organizacija naravnana na porabnike.

S tesnim sodelovanjem s porabniki, dobi organizacija povratne informacije, kajti s prijaznim ozračjem se lažje vzpostavi komunikacija (Day, 1999). Interakcija s porabniki omogoča informacije iz prve roke tako o porabnikovih potrebah in željah kot tudi o njihovem zadovoljstvu. Konstanten stik s trgom in porabniki omogoča še, da v interakciji nastanejo novi izdelki/storitve, ki bodo zadovoljevali porabnike (Day, 1994; Shapiro, 1988). Torej, upoštevanje porabnikov in njihovih potreb ter želja pozitivno deluje na percepcijo, da je organizacija zares naravnana na porabnike.

### **1.1.2 Ustvarjanje vrednosti za porabnike**

Informacije, ki jih porabnik dobi od organizacije, so pomemben element pri procesu ustvarjanja vrednosti. Nudenje večje vrednosti porabnikom skozi izdelke/storitve ali interakcijo je povezano s poznavanjem njihovih potreb in želja. To znanje o porabnikih je možno pridobiti preko interakcije z njimi. Kot posledica interakcije se razvijejo odnosi, ki so temelj trženja s poudarkom na odnosih med organizacijo in njihovimi porabniki.

Po Grönroosu (1990, str. 138 v Grönroos, 1994) je podlaga trženja s poudarkom na odnosih vzpostavitev, ohranjanje in spodbujanje odnosov s porabniki in drugimi partnerji z namenom doseganja ekonomskih in drugih ciljev. Ključne gonilne sile trženja s poudarkom na odnosih (Grönroos, 1994; Morgan & Hunt, 1994; Berry, 2002) so zaupanje, zavezanost in kakovost storitve. Nadalje, trženje s poudarkom na odnosih bazira na dolgoročni interakciji ter upoštevanju porabnika kot ključnega premoženja organizacije (Blattberg & Deighton, 1996). Za ovrednotenje porabnika kot premoženja organizacije se uporabljajo različni pristopi. Največkrat uporabljena sta vrednost življenjske dobe kupčeve zvestobe (angl. *customer lifetime value*) ali premoženje v kupcih (angl. *customer equity*) (Kumar, Lemon & Parasuraman, 2006).

Organizacija s spremembo perspektive in z upoštevanjem porabnika kot premoženja sprejema porabnike kot partnerje in vire pri ustvarjanju vrednosti (Thomas & Gupta, 2005). Poudarek je na vrednosti ob uporabi (angl. *value in use*) (Vargo, Lusch & Akaka, 2010), ki nastane v interakciji z dobavitelji, določajo pa jo porabniki pri uporabi izdelka/storitve. Torej je vrednost pravzaprav tisto, kar porabnik dobi od izdelka/storitve.

Da bi bilo podjetje uspešno pri procesu ustvarjanja vrednosti, mora poznati svoje porabnike in vedeti, kaj zanje pomeni vrednost in kaj jim vrednost sploh predstavlja. Najpogosteje je vrednost (Sánchez-Fernández & Iniesta-Bonillo, 2007) skupna ocena porabnikov o uporabnosti izdelka ali o blagovni znamki, ki je zasnovana na zaznavi, kaj je prejeta v zameno za dano (Zeithaml, 1988, str. 14).

Vrednost je pomemben element dolgoročnih odnosov, ki nastane pod vplivom zavezanosti in zaupanja vseh vključenih strank v ta odnos (Ravald & Grönroos, 1996). Po vzpostavitvi odnosa z porabniki mora organizacija izvajati različne aktivnosti, s katerimi si prizadeva zadržati te porabnike. Če je odnos uspešen, obstaja tudi dobra kakovost odnosa (Athanasopoulou, 2009). Kakovost trženjskih odnosov se v večini raziskav vrednoti preko zaupanja, zavezanosti in zadovoljstva (Athanasopoulou, 2009).

Implementacija ravnanja odnosov s porabniki organizacijam omogoča, da razlikujejo porabnike glede na vrsto odnosa, ki jo imajo z organizacijo (Bull, 2003). Identifikacija porabnika, takšnega, ki si želi vzpostaviti odnos z organizacijo, je nujna. Vzpostavljanje odnosov in usmerjanje aktivnosti v vzpostavljanje odnosov z vsemi porabniki ni ekonomsko upravičeno, vendar pa pomaga pri ravnanju v odnosih z porabniki.

## **1.2 Ravnanje, ki temelji na zvestobi**

V drugem delu teoretičnega ozadja disertacije opredelim zvestobo porabnikov in razpravljam o ravnanju z njihovo zvestobo.

### **1.2.1 Osnove zvestobe porabnikov**

Skozi vzpostavljanje in razvijanje odnosov s porabniki lahko organizacija poveča svojo profitabilnost. Dolgoročni porabniki niso sami po sebi profitabilni, ampak se profitabilnost pojavlja skozi njihovo zvestobo (Reinartz & Kumar, 2000).

Zvestoba porabnikov se različno obravnava, največji vpliv na področju raziskovanja zvestobe pa imajo Dick in Basu (1994) ter Oliver (1997). Po Oliverju (1997 v Oliver, 1999, str. 34) se zvestoba porabnikov obravnava kot globoko zakoreninjena zvestoba, da tudi v prihodnje uporablja izdelke/storitve, kljub vplivom, katerih cilj je sprememba obnašanja. Dick in Basu (1994, str. 100) pa zvestobo obravnavata kot moč odnosa med stališčem posameznika in stališčem ponovnega nakupa. Zadovoljstvo porabnikov je dolgo veljalo za edini predpogoj vzpostavljanja zvestih porabnikov (Oliver, 1999). Čeprav so zvesti porabniki večinoma zadovoljni z izdelki/storitvami organizacije, pa zadovoljstvo ne postane vedno zvestoba (Bennett & Rundle-Thiele, 2004).

Posamezni avtorji (Oliver, 1999; Evanschitzky & Wunderlich, 2006) razlikujejo tudi različne faze zvestobe, in sicer kognitivno, čustveno, impulzivno in akcijsko zvestobo. Za drugi pristop se zavzemajo raziskovalci, katerih delo temelji na delih Dicka in Basuja (1994). Tako (DeWitt, Nguyen & Marshall, 2008; Raimondo, Miceli & Costabile, 2008) zvestobo obravnavajo kot emocionalno in vedenjsko zvestobo. Drugi avtorji (Bloemer, de Ruyter & Wetzels, 1999; Jones & Taylor, 2007) k raziskovanju zvestobe dodajajo še tretjo dimenzijo, in sicer kognitivno zvestobo.



V središču opazovanja vedenjske zvestobe je pravzaprav namen nakupa. Pri čemer porabniki pogosteje kupujejo izdelke/storitve organizacije oziroma kupujejo različne izdelke/storitve (Dewitt, Nguyen & Marshal, 2008; Bloemer & Odekerken-Schröder, 2007). Vedenjska zvestoba pogosto preide v navado, zato se v organizacijah ni dobro usmeriti izključno na njen razvoj.

Vzpostavitev odnosov s porabniki temelji na nujenju vrednosti. Odnos oziroma povezanost se lahko razvije, če organizacija pozna svoje porabnike ter jim nudi tisto, kar zanje predstavlja vrednost. Posledično se tako povečata občutek pripadnosti (Johnson, Garbarino & Sivadas, 2006) in zavezanosti (Garbarino & Johnson, 1999). To sta glavna elementa čustvene zvestobe.

Kognitivna zvestoba je v glavnem obravnavana kot želja, da se za izdelke/storitve organizacije plača več. Porabniki namreč zaznavajo, da jim izdelki/storitve organizacije nudijo več vrednosti od drugih, ki so dostopni na trgu (Jones & Taylor, 2007). Prav tako bodo porabniki, z razvito kognitivno zvestobo, še naprej kupovali izdelke/storitve organizacije, čeprav se njihove cene povečajo (Dewitt, Nguyen & Marshall, 2008).

Zvestoba se lahko obravnava tudi kot enodimenzionalen konstrukt (Andreassen & Lindestad, 1998b; Johnson, Garbarino & Sivadas, 2006). V obravnavo zvestobe kot enodimenzionalnega konstrukta se v glavnem vključujejo tudi priporočila in pozitivna komunikacija od ust-do-ust (Zeithaml, Berry & Parasuraman, 1996) ter namen ponovnega nakupa (Fornell, Johnson, Anderson, Cha & Bryant, 1996; ). Kljub temu Söderlund (2006) argumentira, da se morata namen ponovnega nakupa in priporočila obravnavati kot različna konstrukta oziroma, da je potrebno zvestobo porabnikov obravnavati kot večdimenzionalen konstrukt.

### **1.2.2 Ravnanje z zvestobo porabnikov**

Pri ravnanju z zvestobo porabnikov je poudarek na skrbi za porabnike in nenehnem nujenju večje vrednosti. Večja vrednost, ki jo organizacija nudi, daje porabnikom, je povezana s pozitivnimi posledicami za samo organizacijo. Te posledice se kažejo v (Reichheld, 1993; Heskett, Jones, Loveman, Sasser & Schlesinger, 1994; Diller, 2000) povečanju prihodkov, zmanjševanju stroškov, večji dobičkonosnosti, večji varnosti, večji rasti in zmanjšanemu odhodu zaposlenih.

Pri ravnanju z zvestobo porabnikov mora organizacija upoštevati različne vplive, ki spodbujajo vzpostavljanje in razvoj zvestobe porabnikov. Veliko število prejšnjih raziskav zajema naslednje vplive: zadovoljstvo (Fornell, 1992; Garbarino & Johnson, 1999), zavezanost (Fullerton, 2003), zaupanje (Johnson & Auh, 1998) in kakovost izdelkov/storitev (Zeithaml, Berry & Parasuraman, 1996).

Zadovoljstvo porabnikov se različno interpretira, vendar vedno temelji na primerjavi in evalvaciji določenih stanj ali trenutkov (Johnson, Anderson & Fornell, 1995). Pri tem pa ima

samo kumulativno zadovoljstvo vpliv na zvestobo (Oliver, 1999). Za uspešno ravnanje z zadovoljstvom mora organizacija upoštevati različne vplive, kot so zaznana kakovost izdelka/storitve ali njunih lastnosti (Anderson, Fornell & Lehmann, 1994), sama zaznana vrednost izdelka/storitve (Andreassen & Lindestad, 1998a) in druge.

Zavezanost je sprejeta kot pomemben element v procesu razvoja dolgoročnih odnosov (Morgan & Hunt, 1994). Prisotna je pri povezanosti med partnerjema v razmerju (Dwyer, Schurr & Oh, 1987) ter predstavlja željo po nadaljevanju določenega odnosa (Moorman, Zaltman & Deshpande, 1992). Raziskave so pokazale, da na razvoj zavezanosti vplivata zadovoljstvo in zaupanje porabnikov. Drugi vplivi so odvisni in se razlikujejo glede na kontekst raziskovanja.

Na zvestobo porabnikov je možno vplivati tudi z razvojem zaupanja, ki na zvestobo porabnika vpliva dvojno. V raziskavah lahko zasledimo direkten vpliv na zvestobo porabnikov (Johnson & Auh, 1998), in indirekten vpliv na povečanje zvestobe porabnikov skozi razvoj zavezanosti (Morgan & Hunt, 1994) ali zadovoljstva porabnikov (Han, Kwornik & Wang, 2008). Zaupanje je še posebej pomembno pri ohranjanju dolgoročnih odnosov (Singh & Sirdeshmukh, 2000). Porabniki, ki zaupajo določeni organizaciji, imajo boljše predispozicije za razvoj zvestobe le-tej.

Ker porabniki dojemajo organizacijo skozi njene izdelke/storitve, morajo ti izdelki/storitve imeti določeno raven kakovosti. Kakovost je prisotna, če izdelek/storitev zadovoljuje potrebe porabnika, hkrati pa so pomanjkljivosti odsotne (Juran, 1988 v Andreassen & Lindestad, 1998a). Organizacija, ki želi povečati zvestobo porabnika, lahko to stori tudi z dvigom kakovosti izdelkov/storitev (Zeithaml, Berry & Parasuraman, 1996).

Poleg navedenih vplivov, kot so zadovoljstvo, zavezanost, zaupanje in kakovost izdelka/storitve, obravnavam tudi druge vplive, ki povečujejo zvestobo porabnikov. Mednje sodi tudi celostna podoba (Andreassen & Lindestad, 1998a), dober odziv na pritožbe (Andreassen, 1999), stroški prehoda (Keaveney, 1995) ter namen menjave organizacije v prihodnosti (Bansal & Taylor, 1999).

## **2 RAZISKOVALNI OKVIR ZA EMPIRIČNO RAZISKAVO**

V tem delu predstavljam konceptualni model ter raziskovalno metodologijo. V raziskovalni metodologiji se ukvarjam z operacionalizacijo konstruktov, ki so uporabljeni v raziskavi, analiziram izvedeno pilotno raziskavo in pojasnujem proces zbiranja podatkov, ki so uporabljeni pri analizi.

Na podlagi predhodnega teoretičnega raziskovanja je predlagan **konceptualni model**. V konceptualnem modelu so skozi raziskovalne domneve, ki izhajajo iz teoretičnega ozadja, predstavljene povezave med posameznimi konstrukti. Prva skupina raziskovalnih domnev je usmerjena na povezanost konstruktov prvega reda; izdelkov/storitev, ki zadovoljujejo

porabnike, prijaznih zaposlenih in odnosov ki gradijo vrednost v razmjerju z zaznano naravnostjo na porabnike. Zaznana naravnost na porabnike je predstavljena kot formativen konstrukt. Druga skupina raziskovalnih domnev, ki je predstavljena v konceptualnem modelu, se nanaša na povezavo zaznane naravnosti na porabnike in čustveno, vedenjsko ter kognitivno zvestobo.

V delu Metodologija raziskave izhajam iz **operacionalizacije konstruktov**. Pri obdelavi že obstoječih raziskav opazimo pomanjkanje tistih, ki proučujejo naravnost na porabnike s perspektive porabnika. Naravnost na porabnike je namreč obravnavana predvsem s perspektive menedžerjev (Deshpande, Farley & Webster, 1993; Egan & Shipley, 1995; Hajjat, 2002; Olson, Slater & Hult, 2005; Bartley, Gomibuchi & Mann, 2007). V raziskavah, kjer je bila pri evalvaciji naravnosti neke organizacije na porabnike upoštevana perspektiva porabnika, so raziskave večinoma usmerjene na evalvacijo prodajnega osebja ter posledično generalizacijo na raven organizacije (Saxe & Wietz, 1982; Daniel & Darby, 1997; Bejou, Ennew & Palmer, 1998; Hult & Nichols, 1999; Hennig-Thurau, 2004). Ker pa so pravzaprav porabniki tisti, ki lahko realno ocenijo naravnost na porabnike neke organizacije, je prepoznana vrzel, ki jo je treba raziskati. Zato pristopam k razvoju lestvice, ki bo upoštevala naravnost na porabnike z vidika porabnika oziroma lestvice ki raziskuje zaznano naravnost na porabnike.

K razvoju lestvice zaznane naravnosti na porabnike (PCO) so pripomogli nasveti Churchilla (1979). Pri zvestobi porabnikov so konstrukti čustvene, vedenjske in kognitivne zvestobe operacionalizirani na podlagi preteklih raziskav. Po operacionalizaciji konstruktov, sem opravila **preliminarno raziskavo**. V preliminarni raziskavi so prečiščene trditve, ki so uporabljene pri razvoju lestvice zaznane naravnosti na porabnike, in preverjena operacionalizacija čustvene, vedenjske in kognitivne zvestobe.

Končni vprašalnik, uporabljen v raziskavi, je sestavljen iz treh delov. Prvi del vsebuje vprašanja, ki se nanašajo na zaznano naravnost na porabnike in dimenzije zvestobe porabnikov. Drugi del zajema vprašanja, ki se nanašajo na uporabo mobilnih telekomunikacij. V tretjem delu so vprašanja, ki se nanašajo na demografske značilnosti izprašancev. Raziskovanje je opravljeno s spletnim vprašalnikom, izdelanim s pomočjo spletne aplikacije Limesurvey.

Empirična raziskava je bila narejena v obdobju od 6. maja do 13. junija 2010. Uporabljena je metoda snežne kepe. Začetni vzorec sestavljajo predvsem redni in izredni študenti dodiplomskega in podiplomskega študija Ekonomske fakultete na Reki. Raziskava obravnava področje mobilne telekomunikacije, zato so vsi porabniki mobilnih telekomunikacij dejansko potencialni anketiranci. Ker mobilne telekomunikacije večinoma uporabljajo mlajše osebe, zato le-ti predstavljajo osnovno raziskovalno bazo. Na koncu je bilo zbranih 923 izpolnjenih vprašalnikov.

### 3 REZULTATI EMPIRIČNE RAZISKAVE

V tem delu prikazujem značilnosti vzorca, preverjam predlagane raziskovalne domneve in preverjam predlagani konceptualni model. Analize so narejene s statističnima programoma SPSS različica 19 in LISREL različica 8.80.

Na začetku preverjam značilnosti lestvice zaznane naravnosti na porabnike. Z upoštevanjem kriterijev so obdržani trije faktorji, in sicer *izdelki/storitve, ki ustvarjajo zadovoljstvo porabnikov, prijazni zaposleni ter odnosi ki gradijo vrednost*. Preverjene so tudi značilnosti dimenzij zvestobe porabnikov oziroma čustvene, vedenjske in kognitivne zvestobe. Z analizo ugotavljam, da vse tri dimenzije zadoščajo kriterijem in so bile obdržane za daljno analizo.

**Značilnosti vzorca.** Analiziram tudi demografske značilnosti vzorca. Vzorec zajema 923 anketirancev, porabnikov različnih mobilnih telekomunikacij na Hrvaškem. Večji del anketirancev je ženskega spola (78 %); pripadajo starostni skupini od 19-21 let (44,9 %), imajo končano srednjo šolo (45,9 %) in so študenti (70 %); živijo v gospodinjstvih s povprečnimi dohodki (83,2 %), gospodinjstva pa večinoma štejejo štiri člane (44,1 %); v glavnem izhajajo iz osrednje Hrvaške (34,4 %) ter živijo v mestih z več kot 75.000 prebivalci (21,5 %). Med anketiranci je primarni operater mobilnih telekomunikacij T-mobile (47,3 %), anketiranci so porabniki svojega primarnega mobilnega operaterja že več kot 10 let (25,1 %) ter za storitve mobilne telefonije (38,6 %) mesečno porabijo povprečno 101 - 200 HRK (13 – 26 EUR). Ugotovljeno je bilo tudi, da približno 50 % anketirancev uporablja več kot enega operaterja mobilnih komunikacij in da jih približno 4 % uporablja tri ali več operaterjev mobilnih komunikacij.

**Preverba domnev.** Zaradi preverjanja veljavnosti je vzorec razdeljen na dva dela (Diamantopoulos and Sigua, 2000). Začetni (angl. *calibration sample*) in preverbeni (angl. *validation sample*) vzorec zajemata 463 oziroma 460 anketirancev. V analizi, ki je sledila, je uporabljen začetni vzorec, preverbeni vzorec pa je uporabljen pri preverjanju modela.

Pred preverjanjem konceptualnega modela je bil opravljen preizkus raziskovalnih domnev z multiplo regresijo. Konstrukt zaznane naravnosti na porabnike je opredeljen kot formativni konstrukt. Zato je bila zaradi identifikacijskih težav pri formativnih konstruktih kot odvisna spremenljivka uporabljena trditev *Imam občutek, da moj mobilni operater skrbi za moje zadovoljstvo*. Z multiplo regresijsko analizo ugotavljam, da izdelki/storitve, ki ustvarjajo zadovoljstvo porabnikov, prijazni zaposleni, odnosi ki gradijo vrednost pojasnjujejo 60 % variance rezultata pri zaznani naravnosti na porabnike.

Preizkusila sem tudi povezave med posameznimi dimenzijami zvestobe porabnikov in zaznano naravnostjo na porabnike. Torej, zaznana naravnost na porabnike pojasnjuje 34

% (vedenjska zvestoba), 46 % (čustvena zvestoba) in 15 % (kognitivna zvestoba) variance v dimenzijah zvestobe. Čeprav so relativno nizki odstotki posameznih dimenzij zvestobe porabnikov pojasnjeni, so vsi statistično značilni.

**Preverba modela.** Po predlogah Diamantopouloso in Sigawjeve (2000) najprej preizkusim merski model, nato še strukturni model. V merskem modelu ugotavljam zanesljivo merjenje posameznih konstruktov. Zanesljivost konstrukta zaznana naravnost na porabnike v skladu s priporočili (Bollen & Lennox, 1991; MacKenzie, Podsakoff & Podsakoff, 2011) za formativne konstrukte ni preverjena.

Nadalje, pri merskem modelu ugotavljam, da obstajata konvergentna in diskriminacijska veljavnost. Zanimalo me je ali merski model kot celota predstavlja ustrezen merski instrument za proučevane koncepte. Posamezni koeficienti kažejo, da se model slabo prilega podatkom. Indikatorji, ki kažejo, da je model slab, so pravzaprav odvisni od velikosti vzorca. Medtem pa drugi indikatorji kažejo, da se model sprejemljivo ali celo dobro prilega podatkom. Zato nadaljujem z analizo.

Analizo nadaljujem s preverjanjem strukturnega modela. Uporabljam metodo največjega verjetja. Vse povezave imajo pozitivne predznake, kar je v skladu z raziskovalnimi domnevami, in so statistično značilne. Nadalje, neodvisne spremenljivke pojasnijo okrog 50 % variance rezultata pri odvisnih spremenljivkah. Razlika je samo pri kognitivni zvestobi, kjer predvidene neodvisne spremenljivke pojasnjujejo relativno malo variance odvisnih.

Posebno pozornost namenim preverjanju zanesljivosti zaznane naravnosti na porabnike, ki je opredeljena kot formativni konstrukt. In sicer formativni model tip II (Jarvis, Mackenzie & Podsakoff, 2003, str. 204). Ker identifikacija predstavlja težavo pri oceni formativnega modela kot celote, uporabljam MIMIC model (Diamantopoulos & Winklhofer, 2001). Z uporabo različnih metod ugotavljam veljavnost individualnih indikatorjev oziroma latentnih konstruktov.

Preverjam tudi ustreznost predlaganega teoretičnega modela za modeliranje dejanskih podatkov. Predlagani model je preverjen s postopkom zaporedja ugnezenih modelov. Preverjanje je bilo izvedeno na podlagi odločitvenega drevesa zaporednih  $\chi^2$  preizkusov (Anderson & Gerbing, 1988, str. 420). Opravljena analiza in rezultati kažejo, da se predlagani teoretični model ne prilega ravno najbolje podatkom oziroma da se neomejeni model bolje prilega podatkom. Kljub temu sprejem predlagani teoretični model, saj je bolj parsimoničen, odnosi so teoretično ustrezno pojasnjeni in deloma je dobro pojasnjen tudi z zbranimi podatki. Naredim tudi moč preizkusa za natančno kot tudi za tesno prileganje modela. Oba izračuna kažeta vrednost ena za teoretični kot tudi za neomejeni model. Posledično, sprejem teoretični model kot ustrezen. Dodatne analize veljavnosti multidimenzionalne strukture z nomološko mrežo (MacKenzie, Podsakoff & Podsakoff, 2011, str. 322), potrjujejo ustreznost konceptualizacije zaznane naravnosti na porabnike kot formativnega konstrukta.

Povezave med koncepti, ki so bili preverjeni v modelu, so potrjene oziroma vse zastavljene raziskovalne domneve v končnem modelu privzamem. Torej, zaznava izdelkov/storitvev, ki ustvarjajo zadovoljstvo porabnikov, zaznava prijaznih zaposlenih in odnosi ki gradijo vrednost pozitivno vplivajo na zaznano naravnost na porabnike. Tudi zaznana naravnost na porabnike je pozitivno povezana s čustveno, vedenjsko in kognitivno zvestobo.

Dodatno preverjanje modela opravi s pomočjo preverbenega vzorca. Naredim enake analize, kjer sem prišla do enakih ugotovitev kot pri začetnem vzorcu. Do razlike prihaja edino pri obravnavi povezav med koncepti, ki so preverjeni v modelu. Zastavljeno raziskovalno domnevo, ki povezuje zaznavo prijaznih zaposlenih, in zaznano naravnost na porabnike, v tem preverbenem vzorcu delno privzamem.

Uporabljam tudi večvzorčno (angl. *multi-sample*) analizo, kjer sta uporabljeni trdni in zmerni replikacijski pristop. Oba vzorca enako oziroma v deležih 49 % in 51 %, prispevata k skupni vrednosti  $\chi^2$ . Opravi tudi preizkus razlike  $\chi^2$  in sklepam, da se model dobro replicira tudi pod trdnimi pogoji.

Na podlagi analize in upoštevajoč vse omejitve, ki zmanjšujejo dobro prileganje podatkov modelu, sklenem, da se lahko zaznana naravnost na porabnike konceptualizira kot formativen konstrukt z naslednjimi elementi: izdelki/storitve, ki ustvarjajo zadovoljstvo porabnikov, prijazni zaposleni ter odnosi ki gradijo vrednost. Nadalje, zaznana naravnost na porabnike in dimenzije zvestobe porabnikov ustvarjata nomološko mrežo, ki je v večini raziskav samoumevna in torej neraziskana. Prav tako potrjujem, da se čustvena, vedenjska in kognitivna zvestoba lahko raziskujejo kot različne dimenzije zvestobe porabnikov.

## **OVREDNOTENJE RAZISKAVE**

V tem delu pojasnim teoretične in metodološke prispevke, podam implikacije za vodstva podjetij, opozorim na omejitve raziskave in opredelim odprte teme za nadaljnja raziskovanja.

**Teoretični in metodološki prispevki.** Doktorska disertacija prispeva k znanju na področju naravnosti na porabnike in zvestobe porabnikov. Prvi prispevek se navezuje na pregled literature s področja tržne naravnosti, naravnosti na porabnike ter razlike med njima. Naravnost na porabnike opredelim s konceptom ustvarjanja in ponujanja vrednosti porabnikom. Tudi koncept vrednosti raziskujem in pojasnim z različnih vidikov, predpogojev in vplivov na sam proces ustvarjanja le-tega. Omenjeno prispeva k vzpostavitvi teoretičnega okvira za ravnanje v odnosih s porabniki ter za prepoznavanje organizacije, ki je usmerjena k porabnikom.

Nadalje, podam pregled literature s področja zvestobe porabnikov. Zvestobo porabnikov predstavim z različnimi konceptualizacijami in pristopi, posebej pa pojasnim vedenjsko, čustveno in kognitivno zvestobo. Raziskujem tudi elemente, povezane z upravljanjem

zvestobe porabnikov, poudarek pa podam na opredelitev zvestobe porabnikov in kako se jo lahko okrepi.

Teoretični prispevek se navezuje tudi na pregled različnih pristopov naravnosti na porabnike. Omenjeno prispeva k predlogu za razvoj nove lestvice za merjenje naravnosti na porabnike s perspektive končnih porabnikov. Torej, naravnost na porabnike raziskujem kot večdimenzionalni konstrukt, ki je sestavljen iz naslednjih elementov: izdelki/storitve, ki ustvarjajo zadovoljstvo porabnikov, prijazni zaposleni in odnosi ki gradijo vrednost. Omenjeno predstavlja nov pogled na ovrednotenje naravnosti na porabnike v organizacijah.

Naslednji teoretični prispevek zajema večdimenzionalni pristop k zvestobi porabnikov. Zvestobo porabnikov obravnavam kot tridimenzionalni konstrukt. Sestavljena je iz vedenjske, čustvene in kognitivne zvestobe. Omenjeno potrjujem skozi empirični del raziskave.

Naravnost na porabnike je skupaj z zvestobo porabnikov ugnezdena v nomološko mrežo. Navedena povezanost je v večini raziskav samoumevna in neraziskana. Prav zato empirično raziskovanje njune povezanosti z nomološko mrežo potrjuje obstoj te povezanosti in predstavlja teoretični prispevek, pri čemer je poudarek na raziskovanju zvestobe porabnikov kot večdimenzionalnem konstrukt. Z raziskovanjem pridem do zaključka, da trdnost povezanosti med zaznano naravnostjo na porabnike in posameznimi dimenzijami zvestobe porabnikov ni enaka.

Metodološki prispevek je razviden iz raziskovanja naravnosti na porabnike s perspektive končnih porabnikov, pri čemer je predlagana nova lestvica, imenovana zaznana naravnost na porabnike. Preverjeni so zanesljivost ter konvergentna, diskriminacijska in nomološka veljavnost, zato sklepam, da se lahko zaznana naravnost na porabnike uporabi pri raziskovanju naravnosti na porabnike s perspektive končnih porabnikov.

Tudi konceptualizacija zaznane naravnosti na porabnike kot formativnega konstrukta predstavlja metodološki prispevek. In sicer je zaznana naravnost na porabnike modelirana kot formativni konstrukt drugega reda z reflektivni elementi na ravni prvega nivoja. Nadalje, konceptualizacija zvestobe porabnikov kot tridimenzionalnega konstrukta predstavlja naslednji prispevek. Z analizo potrjujem upravičenost vključevanja kognitivne zvestobe v samo konceptualizacijo zvestobe porabnikov.

Preverjanje modela s postopkom razdeljenega vzorca (angl. *split sample*) in razvijanje modela na začetnem vzorcu ter njegovo preverjanje na preverbenom vzorcu prav tako predstavlja metodološki prispevek. Ob upoštevanju vseh opaženih omejitev, sklepam da se model replicira na oba vzorca.

**Implikacije za vodstva podjetij.** Organizacije z vključevanjem naravnosti na porabnike in zvestobe v svoje poslovanje ustvarjajo različna pozitivna dejstva. Obstoječi porabniki bolj sodelujejo z organizacijo, saj jih le-ta upošteva in obravnava kot partnerje. Posledično se manj

energije usmerja v pritegnitev novih porabnikov. Nadalje, znotraj organizacije, naravnane na porabnike, se razvija ozračje, kjer je ravnanje menedžmenta in zaposlenih zasnovano na konceptu skupnega ustvarjanja vrednosti.

Menedžerji lahko s poudarkom posameznega elementa naravnosti na porabnike učinkovito ravnavajo z razpoložljivimi viri. Usmerjanje in spodbujanje razvoja posameznega elementa je odvisno od strateških načrtov organizacije. Izvedena raziskava je pokazala, da odnosi ki gradijo vrednost najbolj prispevajo k razvoju naravnosti na porabnike.

Obstajajo različne dimenzije zvestobe, zato je potrebno raziskati, katera vrsta zvestobe je najbolj prisotna na ciljnem trgu organizacije ter delovati v skladu s tem. Raziskava je pokazala, da ima naravnost na porabnike največji vpliv na vedenjsko zvestobo. Pri tem pa ne smemo zanemariti tudi medsebojnega vpliva posameznih dimenzij zvestobe na poslovne rezultate.

Nazadnje, organizacije ki želijo izboljšati poslovne rezultate naj bi implementirale naravnost na porabnike. To se lahko doseže z razvojem in z usmeritvijo na katerega od njenih elementov. Posledično se tako ustvarja konkurenčna prednost ne samo na podlagi cenovne konkurence, ki je značilna za operaterje mobilnih telekomunikacij, ampak tudi z diferenciacijo storitev/izdelkov.

**Omejitve raziskave in odprte teme za prihodnje.** Prva omejitev je zaznana v relativno slabem prileganju modela podatkom. Prav tako je analiza pokazala, da obstaja nekaj neposrednih povezav med posameznimi elementi zaznane naravnosti na porabnike in čustveno ter vedenjsko zvestobo. Omenjeno lahko preučimo s čiščenjem predlagane lestvice zaznane naravnosti na porabnike. Pomembno je tudi določiti novo trditev, ki bi bolje zajele bistvo zaznane naravnosti na porabnike. S tem bi prispevali k boljši opredelitivi zaznane naravnosti na porabnike. Nadalje se je v preverbenem vzorcu za eno od povezav v modelu (prijazni zaposleni in zaznana naravnost na porabnike), pokazalo, da ima statistično značilnost  $p < 6\%$ , kar nakazuje na to, da je treba ta element zaznane naravnosti na porabnike dodatno proučiti. Napaka variance je tudi precej visoka, kar pomeni da določene spremenljivke v dimenzijah zaznane naravnosti na porabnike niso najbolj primerno izbrane.

Model se lahko zaradi relativno nizkih vrednosti povezanosti med posameznimi latentnimi konstrukti razširi z vključevanjem drugih konstruktov, kot so zavezanost, ovire pri prehodu, celostna podoba ali vrednost. Omejitev je tudi v vzorcu, saj je, kot je ugotovljeno z analizo, večina anketirancev v vzorcu ženskega spola in imajo med 19 in 24 let. Navedeno se lahko reši z oblikovanjem kvotnega vzorca.

Predlagam, da se raziskava izvede na primeru različnih storitev, saj obstaja možnost, da bi se posamezne povezave lahko različno manifestirale oziroma da bi lahko posamezni elementi zaznane naravnosti na porabnike in zvestobe porabnikov pokazali različno pomembnost. Prav tako bi bilo zanimivo raziskati diadne odnose med operaterji mobilnih telekomunikacij



in porabniki, raziskati razlike v zaznavi menedžerjev in porabnikov glede naravnosti na porabnike pri določeni organizaciji. Preverjanje lestvice zaznane naravnosti na porabnike tudi v drugih storitvenih sektorjih bi prispevala k njeni vrednosti in nadaljnji uporabi.

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