

# The role of relationship marketing and communication at public utility services in the process of market deregulation

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*In recent history, there were dramatic changes on the market of public utility services. Deregulation of these markets forced these organisations to re-think their former behaviour and the application of a marketing approach became necessary on the competitive market. This paper draws attention to the fact that this sector can be regarded as a public service with intensified appearance of its special characteristics, but the research emphasises the special role of certain marketing tools in the process of liberalisation. By analysing consumers' assessment of relationships and communication, this empirical research concluded that on the explored market, the above mentioned factors influence consumers' loyalty. Consequently, in order to build a future edge in the competition, the relationship with customers has to be strengthened. The newest solutions of communication and information technology can have a special significance in maintaining effective long-term relationships because these solutions offer more effective problem solving for directly addressing consumers.*

*Key words: public utilities, marketing communications, relationship marketing, loyalty, deregulation*

## **1. Introduction**

This paper is intended to analyse the marketing activities of public utility services on a market under deregulation, with special attention to relationship marketing and marketing communications. The analysis of public utility services is a rather unexplored field in publications. Theoretic questions of communal services' marketing activities are only touched upon in literature, while individual empirical research is very rare. The primary reason for this may be that in traditional approaches, only the characteristics of services and the consequent marketing results are regarded as important. In other words, they try to justify a general service marketing concept, while they implicitly acknowledge that the services are very heterogeneous and generalising has its limits. The other reason may be that public utility service providers all around the world have had a national or regional monopoly; hence they were not forced to apply a marketing-based approach. By now, the attitude of organisations operating on deregulated markets has changed and marketing has appeared in a field with special characteristics; the research of which

raises interesting questions. For example, in the United States, as a result of liberalisation of the energy market, public utility service providers started to develop their own marketing strategies.

In the explored market, there is a conflict due to state regulated prices and the monopoly of public utility services. Consumers have had affordable access to these services, but they have been defenceless against the service providers. Presently, the situation has changed with new circumstances where the companies still have partial monopoly, but have to face new challenges. Public utility service providers have realised that there is a competition on the market. This competition will become sharp, and with the accession to the EU, traditional methods will be useless on the market liberalised due to harmonisation.

## **2. Is public utility service a public service?**

A major task of early writings in the field on non-business marketing was to re-think the concept and theory of marketing, taking into account the characteristics of profit-oriented companies and the public sector and the differing characteristics of products and services. Today, research dealing with service marketing distinguishes between business and non-business services. Furthermore, many publications deal with the application of the two sectors' marketing practices to each other. This is made characteristic as well by the fact that in many service fields, e.g.: higher education, public transport, public utility services; distinction between public and private, as well as between profit and non-profit, has its difficulty. Due to the uncertainties in defining and classifying services, denotation of public utility services is not an easy task. It is a problem to even name the activities being dealt with, as sources define them differently and there are various definitions for a category within a study as well. The term "public services" includes many activities, multicoloured organisational forms and ownership systems, which in many cases overlap each other. As a synonym for public services, literature often uses the terms public utility or utilities, non-profit, social, etc.

The legal definition in effect for the current explored market specifies that a public service is an activity which is regarded as public service, public objective service, public utility activity, public utility service or communal service by act, government decree or local government decree (Par. 10.§.c of the 1995 Act on Public Procurement). According to the Act, apart from public safety, healthcare, education etc., public utility services such as energy, water and public environment belong to this category.

Apart from legal regulation, it is very important to make a distinction from the consumers' side as well. Public utility services are basic services where the possibility of substitution is small, usage is broad and generally continuous, and it also has to be proved that the members of a community can have access to these

services with equal quality and price conditions. In this way, it is a field which is relevant to a large amount of the population because it is present in everyday life. These services are mundane and typical, and they are usually considered when they are not available e.g., when the bus does not come on time, when there is a power shortage, when there is no heating, when rubbish is over accumulated.

*Based on these reasons, public utility services are considered as public services regardless of their profit or non-profit oriented nature.*

### **3. Do public utility services have important characteristics from a marketing point of view?**

Researchers have raised the question whether it is useful to pick a field or a branch for study or not. Furthermore, some of them questioned whether public utility services had such special characteristics at all, which makes the analysis of this sector reasonable. Although it is agreed that some basic principles of service marketing apply to public utility services, attention should be drawn to some differences which strengthens the view that the practice of public utility service marketing has its own characteristics. Introducing all the characteristics is not constructive, it is best to highlight those which strengthen the significance of relationship marketing and communication in this sphere.

First of all, it is practical to focus on the role of both back office and frontline in the case of public utility services because the basic model of service marketing can be well applied to public utility organisations. It is useless to think in terms of back office organisation in most person to person contact based services, but in the case of the public utility services, the situation is uniquely opposite. Based on the Eigler–Langeard servuction model (Eigler–Langeard 1991), the role of back office is significant in the case of public utility services. Consumers do not assess the work of background staff, as they are unseen and are not usually part of the service providing process; however, the result of the servicing activity depends on the work of the back office. There is no effective public utility service without the tools, equipment and operating staff and the application of relationship marketing is challenged by this fact.

Public utility services can be differentiated on the basis of their regression ability and their level of commitment. Using this approach, it can be said that the level of commitment is very high with the majority of public utility services. Often, in the case of piped services, there is total commitment because of the monopoly situation. When a consumer decides upon the usage of power, gas or water, the chance of withdrawal is limited because there is no possibility of choice. The ability to regress is also minimised in the case of public utility services, as it is almost impossible to re-create the original condition. The results of missing power, heating, water and telephone supply can only be, at best, partly restored.

There are even greater differences in terms of inseparability. In the majority of services, usage is of simultaneous nature. It needs the presence of both the consumer and the service provider, whether it is a machine or a person. In the case of public utilities, specifically piped services, the services are utilised with the consumer not actually being present, but taking an active role in the process. Participation takes place in a way that the service provider and the consumer do not meet each other; however, business will not commence without the consumer taking some kind of action. There is no personal interaction but continuous service is only working when the consumer is “present” by turning on the heating or the water tap or picking up the phone. This is a typical form of remote encounter. This paradox situation specialises relationship marketing and strengthens the fact that marketing activity of public utility service providers is different from other service providers; hence their special analysis is not useless.

Researchers find the intensity of the relationship between service provider and consumer as the criterion for distinction. Chase makes a distinction between services based on high and low direct consumer relationships. According to Chase, the level of relationship is the percentage of time a consumer has to be in the system compared to the total period of service (Chase 1978). The intensity of the relationship between service providers and consumers also distinguishes public utility services from other services. For example, in the case of wired and piped public utilities, the consumer is in continuous relationship with the service provider. In this way, interaction is almost constant, while the consumer is not even in the system. In the case of these services, the consumer is continuously present without even being present. The question is, in terms of Chase’s definition, what is the percentage of the relationship’s period?

A further characteristic of public utility services is that in the majority of services that they cause a change in the life of the consumer or an object. In the processes that have been examined, the changes are not directed towards a person or an object, rather they change the environment of the consumer. Special characteristics of public utilities in terms of development can also be found. Comparatively, it is very difficult to surprise consumers with innovations, but these monopolies carry out certain activities which makes it difficult to imitate each other’s developments.

The establishment of prices differs in the cases of services explored. Parts of them are state-subsidised services, while the other parts have established regulations forming price. When the prices of organisations in natural monopoly are not regulated, there is a greater possibility of realising higher profits than normally expected and the prices are more inflated than on a competitive market.

As the extension of public utility services is strongly regulated, it is often difficult for service providers to apply differentiating price strategies and to use prices as promotional devices. Even when price incentives are allowed, public utility

service providers rarely use these effectively with other elements of the marketing-mix or with effective segmentation programs (Lovelock–Weinberg 1990).

Apart from general problems, communication poses additional problems for public utility service providers. Where the time of interaction is high, and physical elements are dominantly present, the majority of promotion takes place on location as tangible factors communicate about the service. In the case of public utility services, this does not apply because the presence of consumers is minimal in the process and physical factors are only indirectly present for them. Although there are some initiatives for objectifying, the usage of these tools is limited in the communication activities of public utility service providers. As a result, the usage of the elements of the promotion mix is very much different from other participants of the service market.

#### **4. The role of relationship and communication in consumer loyalty**

Experiences show that, similarly to other organisations, the aim of public utility service providers is the establishment of consumer trust and loyalty. With regards to public utility service providers' limited possibilities of applying marketing tools, the questions are: what are the strategies by which they can make their consumers more satisfied and how can they increase loyalty with them?

The question of loyalty is strongly related to relationship marketing. According to representatives of relationship marketing, in the fight for consumer loyalty, those who are able to establish long-term relationship with their consumers will have a competitive advantage (Berry 1980, 1987, Grönroos 1992, Gumesson 1994). The definition of relationship marketing is not clear in professional literature, but the majority of researchers regard the establishment and development of long-term relationships as the guarantee for long-term profit. The consumer will be loyal if he or she values the service higher than the service of the competition; however, consumers generally need a personalised and strong relationship with the service provider (Parasuraman et al 1991). It is necessary for service providing organisations to determine not only short-term financial objectives, but they need to establish long-term “relationship-value” as well. The “relationship-value” paradigm (between consumer and worker, consumer and service provider, worker and service provider, etc.) is of higher importance than ever (Kandampully 1998), and in the current environment, relationships are more important than physical objects, both in business and private life (Albrecht–Zemke 1985). Despite the continuous relationship, the above mentioned cannot be applied to public utility service providers. Services are usually standardised and not personalised, and contrary to what it seems, the relationship between the organisations and consumers is considered rather loose.

The perception of excellent service is often associated with the personal interaction between the staff and consumers. The literature of service management emphasised the importance of human element from the beginning (Crosby–Stephens 1987, Parasuraman et al 1985, Kandampully 1998); and as excellency is an integrated part of any first-rate service, quality and relationships are not peripheries of added value, rather they touch upon the core of service providers' promises. At service providing companies, this relationship is an interactive process of helping, serving and fulfilling personal needs of consumers (Booms–Bitner 1981). Consumers often look for establishing and maintaining emotional relationships. In the majority of services, emotion is a part of the service process and has an important role in the consumer's perception of the service's quality. Emotional ties lead to repeated purchase (Butz–Goodstein 1996), and loyalty is a result of a continuous long-term relationship (Gummesson 1994). According to Levitt, the buyer-seller relationship is similar to a marriage, where the quality and period of this relationship depends on how effectively the company handles this relationship (Levitt 1983). Due to forced dependency and forced commitment, public utility service providers have little possibilities of establishing and maintaining emotional relationships.

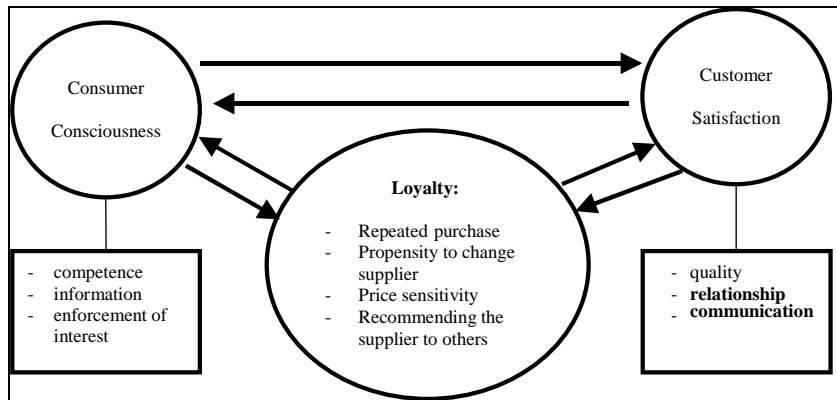
#### *4.1. What do empirical researches show?*

As already mentioned in the introduction, the characteristics of marketing activities of public utility services on a Hungarian public utility market that is undergoing deregulation has been analysed, with special attention to relationship marketing and communication. The analysis is based on several empirical researches and the circumstances of examinations are unique for two reasons. First, they were carried out in an environment where the sphere of public utility services always faces new challenges due to the constant changes and second, the models of methods for measuring loyalty approved in literature (Anderson et al 1994, Fornell 1999, Jones–Sasser 1995, Grönholdt et al 2000, Martensen et al 2000) were supplemented by dealing separately with the dimensions of relationship and communication. The starting model of empirical research is shown on Figure 1.

During the survey, 1000 individuals constituting a representative sample of the population living in the supply area of an electricity, gas, and water supplier in Hungary were asked to fill in a questionnaire. The sample was selected with the mechanical simple random method (method of each  $n$ ). The questionnaires were tested beforehand and the interviewers – who visited households – were given the assistance of guidelines for answering the questions. The sample was found to be a good representative of the population by gender, age, education, job, and domicile.

The methods used for measuring consumer satisfaction were taken according to this model, and it was also assumed that satisfaction with the quality increases satisfaction in general which has a positive effect on loyalty.

Figure 1. The influence of customer relationships and communication on loyalty



Source: own construction

#### 4.2. Relationship

Besides quality, the nature of the relationship between consumers and the company was also considered as a variable to be used in the measurement of consumer satisfaction. The reason is that, in Hungary, the way consumers are treated is of particular importance even in a competitive business, and the same is true for the companies enjoying a monopolistic position. The findings of a domestic research completed in 1999 also indicate that although consumers could experience some improvement in customer-orientation, in most cases there was little change for the better (Rekettye 2000).

The liberalisation of the public utilities market opens new dimensions in competition between companies. In general, there are three ways for a company to keep and increase its market share:

- get new consumers,
- make the existing circle of consumers purchase more,
- decrease the tendency of consumers turning away from the company.

In the field of services, and especially public utilities services, getting new consumers is very difficult because of its high costs. Another problem is that it is hard to do away with the feeling of risk of potential consumers due to the experience-trust base nature of the service product. This also means that during the liberalisation of the service, it is very hard to inform and persuade consumers about the possibility of choice between service providers. Thus, in this field, it seems more reasonable to concentrate on keeping existing consumers by developing the value of customer relations (Veres 1998, Payne–Frow 2000).

The essence of relationship marketing is that, "...the relationship between service provider and consumer has to be stabilised on the long-term as an old consumer is cheaper than getting a new consumer" (Veres 1998). So this branch of

marketing activities tries to keep consumers by building trust and strengthening consumer ties. This can only be effective if there is relevant, detailed information on the consumers and they are continuously informed about new possibilities and other news.

From a certain viewpoint, public utility service providers are in an advantageous position. Their advantage is that continuous relationship is not to be built now, as it more or less functions due to the characteristics of the billing system. However, the database on consumers only contains the data on billing information. There is no information that could further differentiate consumers (as for example size of households and families, per capita consumption, etc.), and through this the strength and directness of the relationship could be increased in order to ensure the adequate level of consumer trust and loyalty. A company operating in a competitive environment can only represent ownership interests adequately if they are able to realise the profitable market segments, and they are able to understand the values of particular groups of consumers so that their products and services can be developed accordingly (Tower 2000).

By understanding consumers' needs, value judgements and decision-making processes, the company will become able to change customer relationships processes from a routine, impersonalised nature to a more direct, personalised process representing higher added value, and in this way, make the best out of relationships with consumers.

*Table 1.* Basic questions of measuring customer relations' sensitivity

<b>If customers are not satisfied the handling of their complaints is</b>	
A) negative	B) positive
<b>If a new product does not produce the planned sales volume than it is a</b>	
A) failure	B) a step towards success
<b>Market research is</b>	
A) collecting data	B) a tool of preparation for decisions

*Source:* Tower (2000, p. 64.)

The problem of public utility service providing companies not knowing their customers shows strong resemblance with the problem of the banking sector in the 1980's. At the end of the 1980's, banks had huge databases about account holders, but they did not know anything about the expectations of customers in the field of complex services. They knew how many accounts customers held, but they did not know what the compositions of their customers were, what the ages of their customers were, or what the lifestyles their customers preferred were. By the 1990's, this started to change and banks started to collect and use the data on customers in personalised messages and communication campaigns. However, this needed the



change of the operating system and organisational culture as well (Payne–Frow 2000).

According to Tower, in order to make the best use of relationship marketing's possibilities, public utility service providing companies have to re-evaluate their former views on consumers (Tower 2000). It is a common problem of companies that they misinterpret the notion of market segmentation. Companies generally apply the categories of resident, trading and industrial consumers, or the categories of big-sized, medium-sized or small-sized consumers; however, these viewpoints can only be used to simplify business operations as they do not carry enough information for real segmentation. In order to segment instead of categorising, the characteristics that are important for the consumers have to be taken into consideration as well (e.g., purchasing behaviour, decision-making, consumer value-judgement), as these provide the company with well-grounded possibility of choice between consumer groups.

A further problem of public utility service providers is that they do not emphasise customer relations to the extent they should. At the assessment of their activities and effectiveness, they only concentrate on the reliability of service provision and continuous operation of their systems. However, in a competitive environment, good and reliable service only helps someone to stay in the competition; there is more needed to get an edge over the competition. The company has to know its customers and with this knowledge, it can predict their behaviour and shape its products and services to particular consumer expectations.

As a bottom line, it can be said that the task of a company is to understand its customers and to adopt customer-based thinking. It is not the duty of the customer to understand the service providers' excuses, but it is the service provider's duty to concentrate on satisfying consumer needs instead of echoing excuses and obstacles.

Due to the characteristics mentioned earlier, public utility service providers are in a disadvantageous position in fostering relationships, as they rarely meet their customers despite their continuous relationship. Despite, or even because of this, in the empirical survey, satisfaction indicators of Hungarian consumers are more or less positive.

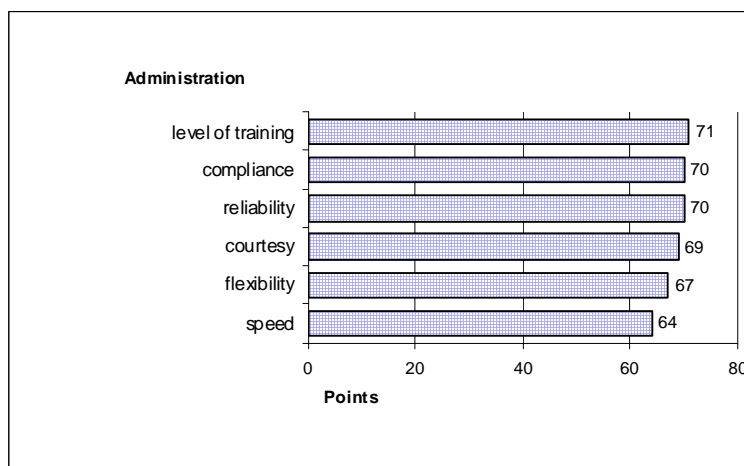
Table 2. Averages and standard deviations of operating relationship (measured on a five point scale)

Content of question	Average	Deviation
Billing is fair, understandable	<b>3,23</b>	0,90
Billing is detailed enough	3,56	0,91
Date of payment is adequate	3,79	0,91
Possibilities of reporting errors are adequate	<b>3,94</b>	0,81
Customer service offices are well accessible	3,86	0,83
Opening hours of the office is adequate	3,90	0,77
Period and speed of administration is adequate	3,60	0,90
Training level of administrators is adequate	3,87	0,76
Courtesy and patience of administrators is adequate	3,85	0,78
Compliance of administrators is adequate	3,84	0,77
Flexibility of administrators is adequate	3,69	0,79
Reliability of administration	3,85	0,78

Source: own construction

Transforming the indicators of satisfaction with customer services into a 100-point scale creates the following diagram:

Figure 2. Assessment of administration



Source: own construction

The factorial analysis of satisfaction variables regarding operating relationship had interesting results. The distinction of factorials is shown on Table 3.

Table 3. Factorial analysis of operating relationship dimension

Content of question	Factorials		
	1	2	3
Compliance of administrators is adequate	<b>0,90</b>	0,26	
Courtesy and patience of administrators is adequate	<b>0,89</b>	0,25	
Reliability of administration	<b>0,88</b>	0,27	
Flexibility of administrators is adequate	<b>0,88</b>		
Training level of administrators is adequate	<b>0,82</b>	0,33	0,20
Period and speed of administration is adequate	<b>0,68</b>	0,36	
Customer service offices are well accessible	0,21	<b>0,83</b>	
Opening hours of the office is adequate	0,28	<b>0,80</b>	
Possibilities of reporting errors are adequate	0,32	<b>0,70</b>	
Date of payment is adequate	0,29	<b>0,62</b>	0,35
Billing is fair, understandable			<b>0,82</b>
Billing is detailed enough	0,23	0,27	<b>0,78</b>

Source: own construction

Table 4. Variable variances of operating relationship

Factorials	Explained variance after rotation		
	Eigenvalue	Explained variance	Cumulated variance
1	4,65	38,71	38,71
2	2,75	22,92	61,62
3	1,57	13,10	74,71

Source: own construction

Based on factorial analysis, the scale of operating relationship is not one-dimensional as the items are grouped into three factorials. The items in the first factorial can be easily explained content-wise as this factorial contains the assessment of the quality of customer service administration. The second factorial contains accessibility items while the evaluation of billing constitutes a separate factorial.

The results show that in the minds of consumers, the latent variable of operating relationship is multi-dimensional and customers assess separately the work of office staff, the accessibility and the billing procedures. Factorials' total deviation of almost 75% can be regarded as strong.

### 4.3. Communication

Presently, the need for personalised consumer approach is growing. Companies have realised the value of long-term relationship with their customers, and in their choice of media they tend to turn to communication tools ensuring direct communication, while mass media are used for company image building.

After analysing the applied communication tools, it can be established that the role of *advertisement* in public utility services is small, as there are only a few factors that can provide customers with useful information on the process of service or its result. The picture of a transformer station or an electric wire cannot adequately introduce electric power supply; neither can a nice photo of the customer service office influence consumers. In the field of services, image advertisement can be regarded as effective as it prepares customers for the usage of the service and convinces them of its advantages. An important feature of image building is that, in the case of services, product image cannot be verbally expressed; rather there is company image that can be an important influencing factor in a purchase decision. As a result the occasional public and television advertisements can be categorised into this group. Newspaper advertisements are an important part of the promotion mix, although through the application of this tool, the “situational advantage” of telecommunication media is significant. Newspaper advertisements are usually of informative nature, however, sometimes they can be encouraging as well.

In the market explored, advertisements are not characteristic for public utility service providers; however, liberalisation of the market may boost this area. Experiences show that public utility service providing companies of regional monopoly have only turned towards marketing tools following deregulation as a competition started for consumers on a liberated market. However, this meant the exploration of and aiming at new possibilities and opening geographical areas, as service providers had to realise that their monopolistic service providing in a region became accessible to other service providers as well. This way, after the liberation of the market, companies had to make great efforts in both fields. They had to keep the highest possible number of customers and take into account the principles of economics of scale and profit-making, as well as keep an eye on getting new customers as well.

The liberalisation of markets caused problems for even those companies that have realised the importance of marketing. In most of the cases, they did not have the necessary resources and know-how to carry out effective marketing campaigns (Dibb–Simkin 2001). During the liberalisation of the energy market in the USA, one of the first companies realising the importance of marketing was Enron Corp., and even as early as 1997 they spent USD 30–40M on advertising their name. Before the opening of the market in California, they were the first to lead a campaign directed towards local residents (Snyder 1997, Kim 1998). In order to effectively influence the market, Enron had made an integrated

campaign where television and radio advertisements were used parallel to newspaper advertisements and direct-mail campaigns. The aggressive appearance of the company made local service providers react and consumers had a choice of many discount offers.

*Sales promotion* tools are not characteristic of public utility service providers either. Due to the nature of service and the regulations of the sector-only, a few tools out of the wide range of methods could be really effective. Telecommunication service may be the only exception here, as it effectively uses sales promotion (although its usage can be linked to the strengthened competition in the field of mobile phone services and to the well-developed state of market liberalisation, thus to the new market environment). Energy providers, however, only use these tools in a limited way. For them, the solution could be to strengthen the purchase of tools operated by the given energy source (this way indirectly increasing energy consumption).

With these types of services, an important tool of communication is *direct-mail*. The monthly bill provides an excellent possibility for this as it can be supplemented with the newsletter of the service providers (as banking service providers already do). This way, public utility service providers can maintain regular customer relationship and they can continuously inform their consumers of relevant changes or maintenance improvements.

One of the tools used most often by public utility service providers is *Public Relations*. The significance of this area is well represented by the fact that in the majority of cases, companies have their separate PR units within their organisational structure. For reasons previously introduced, the image of services is difficult to be established, so the organisations emphasise company image-building. Although newspaper advertisements or television spots are hardly seen, companies are often heard about in supporting events, sports competitions and clubs. Public relations articles are read in newspapers and interviews with similar objectives, because they are often present in the electronic media as well.

Based on the empirical survey, it is found that consumers are less satisfied with service providers' communication activities than with their customer services.

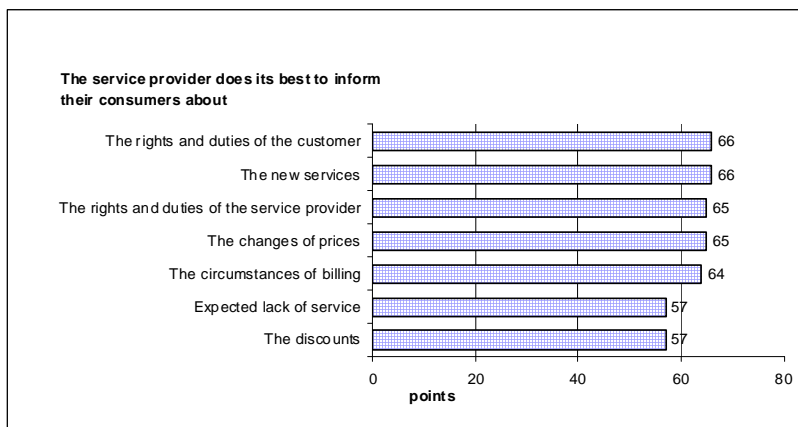
Table 5. Averages and standard deviations of communication and information service dimension (measured on a five point scale)

Content of question	Average	Deviation
<b>The service provider does its best to inform their consumers about:</b>		
The rights and duties of the service provider	3,67	0,86
The rights and duties of the customer	3,67	0,89
The new services	3,66	0,89
The changes of prices	3,62	0,98
The discounts	3,37	1,03
The circumstances of billing	3,57	1,03
Expected lack of service	3,32	1,01
I always read the letters of the service provider attached to the bills	3,61	0,85
I am always informed about the latest campaigns in the customer service office	3,04	1,06
Newsletters contain useful information	3,74	0,89
Advertisement is a good tool for influencing consumers	3,43	0,93
I read "Mindennap" [Everyday] magazine	2,39	1,20
I always read the articles about the service provider in the local newspaper	3,04	1,14
I keep in touch with the service provider by phone if I can	3,00	1,24
I keep in touch with the service provider personally if I can	3,10	1,07

Source: own construction

Transforming the consumers' assessment of information service into a weighed 100-point scale results in the following diagram:

Figure 3. Consumers' assessment of the service provider's information service



Source: own construction

It is significant that based on factorial analysis the two new dimensions included in the loyalty model have separated into four well-defined factorials.

The first factorial contains items about communication efforts; the second factorial contains items measuring the efficiency of information service activity, while in the third factorial the assessment of the importance of advertisements stands alone. The high factorial weight indicates that advertisements have an influence on the latent variable, but this element should be handled separately. The items of methods of communication constitute a separate factorial as well, while the explanation of opposite signs indicates that the interpretations of the two statements eliminate each other. The four factorials altogether represent 65% of the latent variable.

Further refinement of these dimensions could be useful for future research. At the moment, the consumers on the market explored are unaware of other communication possibilities besides personal and phone-based (e.g.: internet) and similarly, the advertisement tools dimension can be further differentiated in the future as well.

Table 6. Factorial analysis of communication and information service dimensions

Content of question	Factorials			
	1	2	3	4
The service provider informs about				
– new services	<b>0,85</b>			
– the customer’s rights and duties	<b>0,81</b>		0,21	
– discounts	<b>0,80</b>			
– changes of prices	<b>0,80</b>			
– service provider’s rights and duties	<b>0,80</b>		0,21	
– circumstances of billing	<b>0,78</b>	0,21		
– expected lack of service	<b>0,46</b>	0,39	–0,30	0,25
Newsletters contain useful information	0,46	<b>0,67</b>		
I am always informed about the latest campaigns in the customer service office	0,21	<b>0,66</b>		
I read "Mindennap" [Everyday] magazine		<b>0,65</b>	–0,44	
I always read the articles about the service provider in the local newspaper		<b>0,62</b>		
I always read the letters by the service provider attached to the bills	0,28	<b>0,60</b>		
Advertisement is a good tool in influencing consumers		0,20	<b>0,82</b>	
I keep in touch with the service provider personally if I can		0,30		<b>0,80</b>
I keep in touch with the service provider by phone if I can		0,56		<b>–0,60</b>

Source: own construction

Table 7. Variances of communication and information service dimensions

Factorials	Explained variance after rotation		
	Eigenvalue	Explained variance	Cumulated variance
1	4,54	30,26	30,26
2	2,75	18,35	48,60
3	1,22	8,16	56,77
4	1,18	7,84	64,60

Source: own construction

## 5. Summary, conclusions

Despite the uncertainties in the field of defining and grouping services, it can be concluded that the sector that was examined is classified as public service by literature sources. The characteristics defined in the theory of service marketing have other special features in the field of public utility services which result from the nature of the service product and the regulated nature of the sector, regardless of the fact that the services are provided by private or public organisations.

The importance of back office, the level of commitment, the inseparable nature, the remote encounter nature, and the sectorial limits of price forming are elements which make the individual analysis of public utility service providers' marketing activities justifiable.

Due to the expected course of deregulation process, the public utility service providers on the explored market face serious challenges that affect former business practice, organisational structure and organisational culture. Besides real competition conditions, the companies have to examine their whole operation in the practice of service providing in order to find the factors that may constitute a long-term edge for them in the competition.

Following the liberalisation of markets, the main objective of public utility service providers all over the world will be to keep their consumers. Communication tools have a special role in building long-term relationships as communication is one of the most important tools for building trust.

Based on these facts and taking into account the characteristics of the sector and the liberalisation processes of the explored market, the methods for measurement of loyalty known from literature were supplemented. Within the empirical research, the consumers' assessment of relationship and communication were analysed as separate dimensions. The results show that both new factors have an effect on loyalty, thus further research is needed in these areas. It is significant that both measurement scales are multi-dimensional and the items are grouped into several factorials. On the explored market, the consumers' assessment of operating relationship (the work of customer service office staff, the accessibility of service



provider, and the billing activity) is better than the dimension of communication and information service; however, both fields have their shortcomings.

The results draw attention to the fact that traditional customer service activity is not suitable for deepening customer relationships. Consumers have to be approached by learning about them and using the information available for segmentation, for determining target groups and planning campaigns. The development of technology and especially information technology (e.g.: auto responder, interactive website, Internet-based billing system, automated read-off of meters, etc.) is a significant tool in deepening customer relationships, and public utility service providers should pay special attention to adopting these methods. By applying these tools, customer loyalty can be strengthened easily and in the majority of the cases, in a less expensive manner. It can be achieved so that the service provider serves the customer, and not the other way round.

With the generally increasing importance of information technology solutions, it becomes important to examine: whether consumers are really open to the reception of new technologies, in what time period will new information technology provide the edge in the competition for establishing loyalty and whether the cost of keeping consumers have their returns or not. These points should constitute the topic for future research.

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