



University of Bradford eThesis

This thesis is hosted in [Bradford Scholars](#) – The University of Bradford Open Access repository. Visit the repository for full metadata or to contact the repository team



© University of Bradford. This work is licenced for reuse under a [Creative Commons Licence](#).

THE IMPACT OF BUSINESS ORIENTATIONS ON CUSTOMER LOYALTY

**AN EMPIRICAL STUDY USING A CASE
STUDY APPROACH**

**Osman Khan
B.B.A. (Peshawar), MBA (IIU), PgDip (Bradford),
PGCE (UEL)**

**Submitted for the Degree of
Doctor of Philosophy**

**European Centre for TQM
School of Management
University of Bradford**

2009

Abstract

Customer loyalty is considered to be critically important to growth, profitability and sustainability. It has received much attention by practitioner and managers. However, some important variables about the different types of loyalty have remained unclear.

While businesses look towards adopting various strategies to help them grow and succeed in the marketplace, a number of key business orientations have emerged. Each of these orientations has claimed to increase both profitability and customer loyalty for an organization.

This research has examined both of these factors, as well as their inter-relationships. The research was conducted in a two part study, based on a sequential triangulation approach. The first study focused on finding out the differences between two of the highest types of loyalties, attitudinal and emotional. The study, based on 40 interviews with customers from three different companies, across two cultural settings (Asian and European), has led to the emergence of key differentiating factors.

The second study focused on the relationships between business orientations and customer loyalty. This study was based on six case studies of best practice firms. The study found a positive link between business orientations and loyalty. Moreover, a set of critical success factors were identified that would enable companies to implement effective loyalty management systems.

Based on both of these two studies, a loyalty management model has been presented. The model helps to improve our understanding of loyalty, and would be of use to managers who would want to develop and manage customer loyalty in an organisation.

Acknowledgements

This doctoral thesis would not have been possible without a number of key individuals. First, I would like to thank and dedicate this to my family. My mother, Mrs. Rifat Khan, who built a strong academic foundation for me, and has been continuously praying for my success. My dad, Dr. Habib Khan, who encouraged and motivated me to pursue my doctorate, and has guided me during this tough process. My wife, Saadia, who has stood by my side and supported me, during these long years. Last, but not least my sister, Sonia Bibi, who took over my responsibilities at home and has kept the family strong.

This doctoral dissertation was also not possible without the help of my supervisors. First I would like to thank Prof. Mohammed Zairi, whose vision, guidance and brilliance has taken this research, and enriched my thinking, to a much higher level. Prof. Zairi not only broadened my thinking, but also spent much time going through multiple drafts of each chapter, giving constructive feedback. Prof. Deli Yang, who, as a supervisor and as the head of the doctoral programmes, has been very helpful and has provided much needed counselling during the tough times. I would also like to thank my first two supervisors, Prof. Jeryl Whitelock and Dr. Shona Bettany, whose comments and valuable feedback helped to improve my literature review.

I would also like to thank the University of East London that kindly sponsored my final year, and all the kind people at the Business School, including Prof. Len Shackleton, Peter Fenwick, Ian Bathgate and Prof. Kazem Chaharbaghi, who have been supporting my research related activities.

Table of contents

Abstract.....	i
Table of contents	iii
List of figures.....	xii
List of tables	xiv
List of publications.....	xviii
1 CHAPTER 1: INTRODUCTION.....	1
1.1. Introduction.....	1
1.2. Research problem.....	2
1.3. Research motivations.....	3
1.4. Research aims and objectives.....	4
1.5. Research contributions.....	5
1.6. Research methodology.....	6
1.7. Outline of thesis.....	8
1.8. Summary.....	10
2 CHAPTER 2: LITERATURE REVIEW	11
A review of literature on customer loyalty	11
2.1.....	11
2.1.1 Introduction.....	11
2.1.2. Benefits of loyalty.....	12
2.1.2.1 <i>Saving in costs</i>	12
2.1.2.2 <i>Increase in revenue</i>	13
2.1.2.3 <i>Recommendation</i>	14
2.1.2.4 <i>Positive behaviour</i>	15
2.1.2.5 <i>Profits</i>	15
2.1.2.6 <i>Benefits to customers</i>	16
2.1.3. Costs of loyalty	17
2.1.4. Loyalty.....	18
2.1.4.1 <i>Brand loyalty</i>	18
2.1.4.2 <i>Customer loyalty</i>	20
2.1.4.3 <i>Loyalty</i>	22
2.1.4.4 <i>Service loyalty</i>	24
2.1.4.5 <i>E-loyalty</i>	25
2.1.5. Services.....	26
2.1.5.1 <i>The nature of services</i>	26
2.1.5.2 <i>Selective loyalty</i>	27
2.2. Developing loyalty	29
2.2.1. Customer satisfaction.....	29
2.2.1.1 <i>Measuring customer satisfaction</i>	30
2.2.1.2 <i>Satisfaction, loyalty and profitability link</i>	32
2.2.1.3 <i>Extreme satisfaction</i>	33
2.2.1.4 <i>Satisfaction alone, does not lead to loyalty</i>	34
2.2.2. Loyalty programmes	37
2.2.2.1 <i>Benefits of loyalty programmes</i>	38
2.2.2.2 <i>Shortcoming of loyalty programmes</i>	39

2.2.3.	Obstacles to loyalty.....	40
2.3.	Managing loyalty	41
2.3.1.	Service quality	53
2.3.2.	Measuring service quality	55
2.3.3.	Antecedents of loyalty	56
2.3.3.1	<i>Recommendation</i>	57
2.3.3.2	<i>Moods</i>	58
2.3.3.3	<i>Customer value / perceived value</i>	58
2.3.3.4	<i>Brand name / image</i>	59
2.3.3.5	<i>Employees</i>	59
2.3.3.6	<i>Barriers: (switching costs, sunk costs)</i>	61
2.3.3.7	<i>Trust</i>	62
2.3.3.8	<i>Customization and personalization</i>	62
2.3.3.9	<i>Convenience</i>	63
2.3.4.	Other factors that affect loyalty	63
2.3.4.1	<i>Strategic management focus</i>	63
2.3.4.2	<i>Technology</i>	64
2.3.4.3	<i>Service recovery</i>	64
2.3.4.4	<i>Type of business</i>	66
2.3.4.5	<i>Importance of demographics</i>	66
2.3.4.6	<i>Developing loyalty at different levels</i>	68
2.3.5.	Relationship management.....	68
2.3.5.1	<i>When not to have a relationship</i>	70
2.3.5.2	<i>Longevity of relationship</i>	71
2.3.6.	Loyalty in the business-to-business context	73
2.4.	Behavioural dimensions of loyalty	76
2.4.1.	Attitudes and loyalty	78
2.4.2.	Emotional dimensions of loyalty	85
2.4.2.1	<i>Benefits of emotional loyalty</i>	87
2.4.2.2	<i>Emotionally strong relationships</i>	89
2.4.2.3	<i>Emotional satisfaction</i>	89
2.4.2.4	<i>How to build emotional attachment</i>	90
2.4.2.5	<i>Emotions</i>	92
2.4.2.6	<i>Employees</i>	95
2.4.2.7	<i>Love</i>	96
2.4.2.8	<i>Delight</i>	97
2.4.2.9	<i>Extraordinary experiences</i>	97
2.4.2.10	<i>Emotional loyalty and sports</i>	98
2.4.3.	Gaps	99
3	CHAPTER 3: RESEARCH DESIGN	102
3.1.	Introduction	102
3.1.1.	Research objectives.....	102
3.2.	Research strategy	104
3.2.1.	Survey research.....	107
3.2.2.	Experiment based research	108
3.2.3.	Life history research	110
3.2.4.	Case study research.....	110

3.2.5.	Qualitative vs. quantitative approaches	113
3.2.6.	Previous methodologies used in loyalty research	116
3.3.	Research approach adopted	119
3.3.1.	Research approach adopted: Triangulation.....	121
3.3.2.	Adopted approach: Case studies	125
3.3.2.1	<i>Generalizability and reliability through multiple cases</i>	126
3.3.3.	Research study 1: Examining emotional loyalty	129
3.3.3.1	<i>Data collection method adopted</i>	134
3.3.3.2	<i>Data collection and analysis</i>	137
3.3.3.3	<i>Ethical concerns</i>	137
3.3.4.	Study 2: The link between strategic orientations and loyalty	137
3.3.5.	Reliability, validity and generalizations	139
3.4.	Summary	141
4	CHAPTER 4: QUALITATIVE ANALYSIS OF PRIMARY CASE STUDIES	
	142	
4.1.	Introduction	142
4.2.	The impact of culture on business	142
4.3.	Individualist vs. collectivist cultures.....	144
4.4.	Case 1: European customers of a travel firm (Thomson Travel)	145
4.4.1.	Introduction.....	145
4.4.2.	Customer characteristics	146
4.4.3.	Attitudinally loyal customers	147
4.4.3.1	<i>Characteristics of attitudinally loyalty customers of Thomson Travel</i>	153
4.4.4.	Emotionally loyal customers	153
4.5.	Case 2: European customers of an airline company (Emirates Airline).	157
4.5.1.	Introduction.....	157
4.5.2.	Customer characteristics	158
4.5.3.	Attitudinally loyal customers	158
4.5.4.	Emotionally loyal customers	161
4.6.	Case 3: Asian customers of a hotel chain (Serena Hotels & Resorts)	165
4.6.1.	Introduction.....	165
4.6.2.	Customer characteristics	166
4.6.3.	Attitudinally loyal customers	167
4.6.4.	Emotionally loyal customers	169
4.7.	Case 4: Asian customers of an airline (Emirates Airline)	173
4.7.1.	Introduction.....	173
4.7.2.	Customer characteristics	173
4.7.3.	Attitudinally loyal customers	173
4.7.4.	Emotionally loyal customers	176
4.8.	Cross-case analysis	179
4.8.1.	Factors that distinguish attitudinally loyal from emotionally loyal customers	180
4.8.1.1	<i>Quality perception</i>	180
4.8.1.2	<i>Level of satisfaction</i>	181
4.8.1.3	<i>Memorable experiences</i>	181
4.8.1.4	<i>Referrals (word-of-mouth)</i>	181

4.8.1.5	<i>Search for alternatives</i>	182
4.8.1.6	<i>Percentage of total spend (share of wallet)</i>	182
4.8.1.7	<i>Paying higher prices</i>	183
4.8.1.8	<i>Time spent with the firm</i>	183
4.8.1.9	<i>Service recovery</i>	184
4.8.2.	Factors that lead to emotional loyalty.....	186
4.8.3.	Cultural differences.....	188
4.9.	Summary	189
5	CHAPTER 5: REVIEW OF THEORY ON BUSINESS ORIENTATIONS..	190
5.1.	Strategic orientation	190
5.2.	Market orientation	191
5.2.1.	Definitions of market orientation.....	192
5.2.2.	The importance of market orientation	194
5.2.3.	Antecedents of market orientation	197
5.2.4.	Market orientation's role: the development of customer loyalty.....	201
5.2.5.	The role of other strategic orientations	202
5.3.	Customer orientation	203
5.3.1.	Definitions of customer orientation	205
5.3.2.	The importance of customer orientation	207
5.3.3.	Antecedents of customer orientation	209
5.3.4.	Measuring customer orientation	211
5.3.5.	The role of other strategic orientations	213
5.3.6.	The relationship with market orientation.....	214
5.3.7.	Customer orientation's role in the development of customer loyalty.....	217
5.4.	Quality orientation	218
5.4.1.	Definitions of quality orientation.....	219
5.4.2.	Antecedents of quality orientation	221
5.4.3.	Importance of quality orientation to businesses	223
5.4.4.	Measuring quality orientation	224
5.4.5.	Quality orientation's role in loyalty	228
5.4.6.	Other orientations	229
5.5.	Service orientation	230
5.5.1.	Antecedents of service orientation.....	231
5.5.2.	Measuring the service orientation of organizations	232
5.5.3.	Service orientation and loyalty	236
5.5.4.	The role of other orientations.....	238
5.6.	Brand orientation	238
5.6.1.	Definitions of brand orientation.....	239
5.6.2.	Benefits of brands and brand orientation	242
5.6.3.	Drivers of brand orientation.....	245
5.6.4.	Brand management systems.....	247
5.6.5.	Loyalty	249
5.6.6.	Others factors influencing brand orientation	249
5.6.7.	Conclusion	250
6	CHAPTER 6: QUALITATIVE ANALYSIS OF SECONDARY CASES	252
6.1.	Introduction	252
6.2.	The Malcolm Baldrige National Quality Award	253

6.2.1.	The role of MBNQA on a firm’s performance	254
6.3.	Case 1: Poudre Valley Health System	257
6.3.1.	Introduction.....	257
6.3.2.	Achievements.....	257
6.3.3.	Adoption of strategic orientation at PVHS	259
6.3.3.1	<i>Quality orientation</i>	259
6.3.3.2	<i>Customer orientation</i>	261
6.3.3.3	<i>Market orientation</i>	263
6.3.4.	Strategic orientations’ impact on performance at PVHS.....	265
6.3.4.1	<i>The impact of customer orientation on performance</i>	265
6.3.4.2	<i>The impact of market orientation on performance</i>	266
6.3.4.3	<i>The impact of quality orientation on performance</i>	266
6.3.4.4	<i>Overall impact</i>	267
6.3.4.5	<i>Overall impact on customer loyalty</i>	268
6.3.5.	Conclusion	269
6.4.	Case 2: PRO-TEC Coating Company	269
6.4.1.	Introduction.....	269
6.4.2.	Achievements.....	271
6.4.3.	Adoption of strategic orientations at PRO-TEC	272
6.4.3.1	<i>Quality orientation</i>	272
6.4.3.2	<i>Market orientation</i>	273
6.4.3.3	<i>Customer orientation</i>	275
6.4.4.	Strategic orientations’ impact on performance	276
6.4.4.1	<i>Impact of quality orientation on performance</i>	276
6.4.4.2	<i>Impact of market orientation on performance</i>	277
6.4.4.3	<i>Impact of customer orientation on performance</i>	278
6.4.4.4	<i>Overall impact</i>	279
6.4.4.5	<i>Overall impact on customer loyalty</i>	280
6.4.5.	Conclusion	280
6.5.	Case 3: Caterpillar Financial Services	281
6.5.1.	Introduction.....	281
6.5.2.	Adoption of strategic orientations at CFSC.....	283
6.5.2.1	<i>Market orientation</i>	283
6.5.2.2	<i>Brand orientation</i>	285
6.5.2.3	<i>Quality orientation</i>	286
6.5.2.4	<i>Customer orientation</i>	287
6.5.2.5	<i>Service orientation</i>	289
6.5.3.	Strategic orientations’ impact on business performance at CFSC.....	291
6.5.3.1	<i>Impact of brand orientation on performance</i>	291
6.5.3.2	<i>Impact of customer orientation on performance</i>	291
6.5.3.3	<i>Impact of market orientation on performance</i>	292
6.5.3.4	<i>Impact of quality orientation on performance</i>	293
6.5.3.5	<i>Impact of service orientation on performance</i>	293
6.5.3.6	<i>Overall impact</i>	294
6.5.3.7	<i>Overall impact on customer loyalty</i>	295
6.5.4.	Conclusion	297
6.6.	Case 4: Park Place Lexus	297

6.6.1.	Introduction.....	297
6.6.2.	Adoption of strategic orientations at PPL.....	299
6.6.2.1	<i>Service and quality orientation</i>	299
6.6.2.2	<i>Customer orientation</i>	301
6.6.2.3	<i>Market orientation</i>	303
6.6.2.4	<i>Brand orientation</i>	304
6.6.3.	Strategic orientations' impact on business performance	305
6.6.3.1	<i>Brand orientation's impact on performance</i>	305
6.6.3.2	<i>Customer orientation's impact on performance</i>	306
6.6.3.3	<i>Market orientation's impact on performance</i>	307
6.6.3.4	<i>Quality orientation's impact on performance</i>	308
6.6.3.5	<i>Service orientation's impact on performance</i>	308
6.6.3.6	<i>Overall impact on business performance</i>	309
6.6.3.7	<i>Overall impact on loyalty at PPL</i>	310
6.6.4.	Conclusion	311
6.7.	Case 5: Premier Inc.....	312
6.7.1.	Introduction.....	312
6.7.2.	Adopting strategic orientations at Premier	315
6.7.2.1	<i>Quality orientation</i>	315
6.7.2.2	<i>Customer and market orientation</i>	316
6.7.2.3	<i>Service orientation</i>	318
6.7.3.	The impact of strategic orientations on performance	319
6.7.3.1	<i>The impact of quality orientation on performance</i>	319
6.7.3.2	<i>The impact of market orientation on performance</i>	320
6.7.3.3	<i>The impact of customer orientation on performance</i>	320
6.7.3.4	<i>The impact of service orientation on performance</i>	321
6.7.3.5	<i>Overall impact on performance</i>	321
6.7.3.6	<i>Overall impact on customer loyalty</i>	322
6.7.4.	Conclusion	325
6.8.	Case 6: Sunny Fresh Foods	326
6.8.1.	Introduction.....	326
6.8.2.	Adopting strategic orientations at Sunny.....	328
6.8.2.1	<i>Customer and market orientation</i>	328
6.8.2.2	<i>Quality orientation</i>	329
6.8.3.	Strategic orientations' impact on business performance at Sunny	330
6.8.3.1	<i>Customer orientation's impact on performance</i>	330
6.8.3.2	<i>Market orientation's impact on performance</i>	331
6.8.3.3	<i>Quality orientation's impact on performance</i>	332
6.8.3.4	<i>Overall impact of strategic orientations on performance</i>	333
6.8.3.5	<i>Overall impact of strategic orientations on customer loyalty</i>	333
6.8.4.	Conclusion	336
6.9.	Cross-case analysis	336
6.9.1.	The impact of strategic orientations on business performance.....	337
6.9.1.1	<i>Measuring practice and performance</i>	337
6.9.1.2	<i>The impact of brand orientation on a firm's performance</i>	342
6.9.1.3	<i>The impact of customer orientation on a firm's performance</i>	344
6.9.1.4	<i>The impact of market orientation on a firm's performance</i>	347

6.9.1.5	<i>The impact of quality orientation on a firm's performance</i>	349
6.9.1.6	<i>The impact of service orientation on a firm's performance</i>	351
6.9.1.7	<i>The overall impact of strategic orientation on a firm's performance</i>	352
6.9.1.8	<i>The overall impact of strategic orientation on a firm's loyalty</i>	356
6.9.2.	Effective implementation of strategic orientations	358
6.9.2.1	<i>Effective implementation of brand orientation</i>	358
6.9.2.2	<i>Effective implementation of customer orientation</i>	362
6.9.2.3	<i>Effective implementation of market orientation</i>	368
6.9.2.4	<i>Effective implementation of quality orientation</i>	372
6.9.2.5	<i>Effective implementation of service orientation</i>	375
6.9.3.	Conclusion	379
6.10.	Critical success factors	382
6.10.1.	Critical success factor strategic orientations	383
6.10.1.1	<i>Customer, market and quality orientations</i>	383
6.10.1.2	<i>Service orientation</i>	385
6.10.1.3	<i>Brand orientation</i>	385
6.10.2.	Critical success factor enablers	386
6.10.2.1	<i>Leadership</i>	387
6.10.2.2	<i>Employee focus</i>	388
6.10.2.3	<i>Innovation</i>	389
6.10.3.	Critical success factor tools	392
6.10.3.1	<i>Relationship management</i>	392
6.11.	Summary	397
CHAPTER 7: DISCUSSION AND MODEL PROPOSAL		398
7		398
7.1.	Introduction	398
7.2.	Major findings of Study I: Primary qualitative case studies on emotional loyalty	399
7.2.1.	Characteristics of emotionally vs. attitudinally loyal customers	401
7.2.1.1	<i>Quality perception</i>	401
7.2.1.2	<i>Level of satisfaction</i>	402
7.2.1.3	<i>Memorable experiences</i>	403
7.2.1.4	<i>Service recovery</i>	404
7.2.1.5	<i>Recommendation</i>	406
7.2.1.6	<i>Percentage of total spending</i>	407
7.2.1.7	<i>Search for alternatives</i>	408
7.2.1.8	<i>Premium prices</i>	409
7.2.1.9	<i>Time</i>	410
7.2.1.10	<i>Impact of culture</i>	412
7.3.	Major findings of Study II: Business orientations and critical success factors for implementing a loyalty management system	413
7.3.1.	Critical success factor strategic orientations	415
7.3.1.1	<i>Brand orientation</i>	415
7.3.1.2	<i>Customer orientation</i>	417
7.3.1.3	<i>Market orientation</i>	418

7.3.1.4	<i>Quality orientation</i>	420
7.3.1.5	<i>Service orientation</i>	421
7.3.2.	Critical success factor enablers	423
7.3.2.1	<i>Leadership</i>	423
7.3.2.2	<i>Employee focus</i>	424
7.3.2.3	<i>Innovation</i>	426
7.3.3.	Critical success factor tools	427
7.3.3.1	<i>Relationship management</i>	427
7.4.	Triangulation of the research findings	428
7.4.1.	Validating the variables from Study I on customer loyalty	429
7.4.1.1	<i>Quality</i>	429
7.4.1.2	<i>Customer satisfaction, memorable experience and service recovery</i> 429	
7.4.1.3	<i>Recommendation and search for alternatives</i>	430
7.4.1.4	<i>Percent of total spending and premium prices</i>	431
7.4.1.5	<i>Time</i>	431
7.4.1.6	<i>Cultural differences</i>	431
7.4.2.	Validating the critical success factors from Study II on business orientations.....	432
7.4.2.1	<i>Brand orientation</i>	432
7.4.2.2	<i>Quality orientation</i>	432
7.4.2.3	<i>Customer, market and service orientation</i>	433
7.4.2.4	<i>Leadership and employee focus</i>	433
7.4.2.5	<i>Innovation and relationship management</i>	433
7.4.3.	Conclusion	434
7.5.	A proposed model for loyalty management	434
7.5.1.	Model overview and refinement	436
7.5.1.1	<i>Overview of the refined model</i>	437
7.5.2.	Developing and managing loyalty	438
7.5.2.1	<i>Strategic orientations</i>	439
7.5.2.2	<i>Enablers</i>	443
7.5.2.3	<i>Tools</i>	445
7.5.2.4	<i>Time</i>	445
7.5.2.5	<i>Conclusion</i>	446
7.5.3.	A proposed tool to assist in loyalty management	446
7.5.3.1	<i>Conclusion</i>	448
7.6.	Summary	449
..... CHAPTER 8: CONCLUSION AND RECOMMENDATIONS		
.....		450
8	450
8.1.	Introduction	450
8.2.	Research summary	450
8.3.	Key findings	452
8.3.1.	Findings of the study on customer loyalty	452
8.3.2.	Findings of study on business orientations	454
8.4.	Major contributions of the study	456
8.5.	Limitations of the study	457

8.6. Directions for future research.....	458
8.7. Conclusion.....	459
Appendix.....	461
Guide questions to in depth interviews:.....	461
References.....	462

List of figures

Figure 1.1: An overview of the research process.....	8
Figure 2.1: Loyalty Triangle© (Shoemaker and Lewis, 1999).....	47
Figure 2.2 Value added strategies and profitability (Shoemaker and Lewis, 1999)	48
Figure 2.3 Factors affecting business performance (Fredericks <i>et al.</i> , 2001).....	49
Figure 2.4: Customer loyalty model (Hoisington and Naumann, 2003)	50
Figure 2.5 Choosing a loyalty strategy (Reinartz and Kumar, 2002)	51
Figure 2.6: The critical factors of customer perceived service quality (Sureshchandar <i>et al.</i> , 2001)	56
Figure 2.7: Relative attitude-behaviour relationship (Dick and Basu, 1994)	80
Figure 2.8: Knox’s loyalty model (Knox, 1998)	81
Figure 2.9: Diamond of Loyalty © customer purchasing styles (Knox, 1998)	83
Figure 2.10 A model of emotion and perceived risk (Chaudhuri, 2001).....	94
Figure 3.1: The research process of this thesis	125
Figure 3.2: Model of case study approach (adopted from Yin, 1994).....	128
Figure 5.1: Three trends compelling companies with brands to choose whether or not to incorporate their brands into the company strategy (Urde, 1994).....	245
Figure 6.1: An example of QO in strategy development (Poudre Valley Health System, 2008)	260
Figure 6.2: Continuous improvement at PRO-TEC (PRO-TEC, 2007)	273
Figure 6.3: Customer and market knowledge at PRO-TEC (PRO-TEC, 2007) ...	274
Figure 6.4: Six-Sigma at the company (CFSC, 2008)	287
Figure 6.5: Employee satisfaction with work environment (CFSC, 2008)	290
Figure 6.6: Customer satisfaction levels in the equipment division (CFSC, 2008)	296
Figure 6.7: User delight and dissatisfaction (CFSC, 2008)	296
Figure 6.8: Productivity at PPL (PPL, 2005).....	300
Figure 6.9: Listening to customers (PPL, 2005).....	302
Figure 6.10: Client satisfaction at PPL (PPL, 2005).....	310
Figure 6.11: Service retention at PPL (PPL, 2005)	311
Figure 6.12: Cash returns to members (Premier, 2006).....	314
Figure 6.13: Satisfaction with Premier (Premier, 2006).....	324
Figure 6.14: Loyalty at Premier (Premier, 2006).....	325
Figure 6.15: Purchasing partners’ loyalty (Premier, 2006)	325
Figure 6.16: Satisfaction with products, and service attributes (Sunny, 2005)	328
Figure 6.17: Customer satisfaction at Sunny (Sunny, 2005)	335
Figure 6.18: Casual relationships between drivers, enablers, capabilities and impact	338
Figure 6.19: The impact of brand orientation on performance.....	343
Figure 6.20: Brand orientation matrix, plotting performance vs. practice	344
Figure 6.21: Customer orientation matrix, plotting performance vs. practice.....	346
Figure 6.22: The impact of market orientation on performance.....	348
Figure 6.23: Market orientation matrix, plotting performance vs. practice.....	348
Figure 6.24: The impact of quality orientation on performance.....	350

Figure 6.25: Quality orientation matrix, plotting performance vs. practice	350
Figure 6.26: The impact of service orientation on performance.....	351
Figure 6.27: Service orientation matrix, plotting performance vs. practice	352
Figure 6.28: The impact vs. practice of various orientations.....	353
Figure 6.29: The impact of practice on performance.....	353
Figure 6.30: The impact of CMQ orientations versus the impact on all of the orientations.....	354
Figure 6.31: Performance vs. impact matrix.....	355
Figure 6.32: Stages of loyalty development through adopting strategic orientations	357
Figure 7.1: Proposed broad level model for loyalty management	435
Figure 7.2: A proposed loyalty management model.....	437
Figure 7.3: Proposed loyalty management tool	447

List of tables

Table 2.1: Customer satisfaction versus customer loyalty (Gronholdt <i>et al.</i> , 2000)	35
Table 2.2: Loyalty classifications (Jones and Sasser, 1995)	43
Table 2.3: Four loyalty strategies (Oliver, 1999)	45
Table 2.4 Five levels of repeat buyers and loyal customers (Curasi and Kennedy, 2002)	52
Table 2.5: Business to business research on loyalty	75
Table 2.6: Behavioural loyalty research	78
Table 2.7: Selected papers on behavioural and attitudinal loyalty	85
Table 2.8 Positive and negative emotions	92
Table 3.1: Relevant situations for different research strategies (Yin, 1994)	105
Table 3.2: Overcoming case study research shortcomings (based on Yin, 1994)	112
Table 3.3: Qualitative vs. quantitative research (Finn <i>et al.</i> , 2002)	113
Table 3.4: Uses of qualitative and quantitative research (adopted from Creswell, 2003)	115
Table 3.5: Research methods in loyalty literature	118
Table 3.6: Types of interviews (Finn <i>et al.</i> , 2002)	136
Table 4.1: Characteristics of European customers of a travel company	156
Table 4.2: Characteristics of European customers of an airline	165
Table 4.3: Characteristics of Asian customers of a hotel chain	172
Table 4.4: Characteristics of Asian customers of an airline company	179
Table 4.5: Case studies overview	185
Table 5.1: 17-statement CUSTOR variables (adapted from Hajjat, 2002)	212
Table 5.2: Key differences between customer-led and market-oriented (Slater and Narver, 1998)	215
Table 5.3: SERV*OR scale (adapted from Saura <i>et al.</i> , 2005)	236
Table 6.1: Strategic advantages at PVHS (Poudre Valley Health System, 2008)	259
Table 6.2: Adopting customer orientation at PVHS	261
Table 6.3: Listening to the customer (Poudre Valley Health System, 2008)	262
Table 6.4: Adopting customer orientation at PVHS	263
Table 6.5: Adopting market orientation at PVHS	264
Table 6.6: Market orientation through partnerships at PVHS (Poudre Valley Health System, 2008)	264
Table 6.7: CO's impact on performance at PVHS	265
Table 6.8: MO's impact on performance at PVHS	266
Table 6.9: QO's impact on performance at PVHS	267
Table 6.10: Impact of strategic orientations on performance	268
Table 6.11: Adopting quality orientation at PRO-TEC	273
Table 6.12: Competitive position of PRO-TEC (PRO-TEC, 2007)	275
Table 6.13: Adopting market orientation at PRO-TEC	275
Table 6.14: Adopting customer orientation at PRO-TEC	276
Table 6.15: QO's impact on performance at PRO-TEC	277
Table 6.16: MO's impact on performance at PRO-TEC	278
Table 6.17: CO's impact on performance at PRO-TEC	278
Table 6.18: Impact of strategic orientations on performance	279

Table 6.19: CFSC’s product range (CFSC, 2008)	282
Table 6.20: Adopting market orientation at CFSC	283
Table 6.21: Adopting brand orientation at CFSC	285
Table 6.22: Adopting quality orientation at CFSC	286
Table 6.23: Adopting customer orientation at CFSC	287
Table 6.24: Customer focus at CFSC (CFSC, 2008)	288
Table 6.25: Adopting service orientation at CFSC	289
Table 6.26: BO’s impact on performance at CFSC	291
Table 6.27: CO’s impact on performance at CFSC	292
Table 6.28: MO’s impact on performance at CFSC	292
Table 6.29: QO’s impact on performance at CFSC	293
Table 6.30: SO’s impact on performance at CFSC	294
Table 6.31: Impact of strategic orientations on performance at CFSC	295
Table 6.32: Products and services at Park Lane Lexus (Lexus, 2005)	298
Table 6.33: Awards and recognition (PPL, 2005)	298
Table 6.34: Adopting service orientation at PPL	299
Table 6.35: Adopting quality orientation at PPL	301
Table 6.36: Key customer requirements at Park Place Lexus (PPL, 2005)	301
Table 6.37: Adopting customer orientation at PPL	303
Table 6.38: Adopting market orientation at PPL	304
Table 6.39: Adopting brand orientation at PPL	305
Table 6.40: BO’s impact on performance at PPL	306
Table 6.41: CO’s impact on performance at PPL	307
Table 6.42: MO’s impact on performance at PPL	307
Table 6.43: QO’s impact on performance at PPL	308
Table 6.44: SO’s impact on performance at PPL	309
Table 6.45: Impact of strategic orientations on performance	309
Table 6.46: Major products and services at Premier (Premier, 2006)	313
Table 6.47: Adopting quality orientation at Premier	315
Table 6.48: Customer and market knowledge (Premier, 2006)	316
Table 6.49: Adopting market orientation at Premier	317
Table 6.50: Adopting customer orientation at Premier	318
Table 6.51: Adopting service orientation at Premier	319
Table 6.52: QO’s impact on performance at Premier	319
Table 6.53: MO’s impact on performance at Premier	320
Table 6.54: CO’s impact on performance at Premier	321
Table 6.55: SO’s impact on performance at Premier	321
Table 6.56: Impact of strategic orientations on performance at Premier	322
Table 6.57: Customer satisfaction determination inputs (Premier, 2006)	323
Table 6.58: Adopting market orientation at Sunny Fresh Foods	329
Table 6.59: Adopting customer orientation at Sunny Fresh Foods	329
Table 6.60: Adopting quality orientation at Sunny Fresh Foods	330
Table 6.61: CO’s impact on performance at Sunny Fresh Foods	331
Table 6.62: MO’s impact on performance at Sunny Fresh Foods	332
Table 6.63: QO’s impact on performance at Sunny Fresh Foods	332
Table 6.64: Impact of strategic orientations on performance at Sunny Fresh Foods	333

Table 6.65: Business orientations and loyalty among best practice firms.....	337
Table 6.66: Calculating the practice of strategic orientations in each company ..	340
Table 6.67: Calculating the impact of orientations on performance.....	342
Table 6.68: BO benefits	343
Table 6.69: The impact of customer orientation on performance.....	345
Table 6.70: CO benefits	345
Table 6.71: MO benefits	347
Table 6.72: QO benefits.....	349
Table 6.73: SO benefits	351
Table 6.74: Drivers, enablers and capabilities of brand orientation	359
Table 6.75: BO drivers.....	360
Table 6.76: BO enablers	361
Table 6.77: BO capabilities	362
Table 6.78: Driver, enablers and capabilities of customer orientation	363
Table 6.79: CO drivers.....	364
Table 6.80: CO enablers	365
Table 6.81: CO capabilities	367
Table 6.82: Driver, enablers and capabilities of market orientation.....	369
Table 6.83: MO drivers.....	370
Table 6.84: MO enablers	371
Table 6.85: MO capabilities.....	372
Table 6.86: Driver, enablers and capabilities of quality orientation.....	372
Table 6.87: QO drivers	373
Table 6.88: QO enablers	374
Table 6.89: QO capabilities	375
Table 6.90: Drivers, enablers and capabilities of service orientation	376
Table 6.91: SO drivers	377
Table 6.92: SO enablers.....	378
Table 6.93: SO capabilities.....	379
Table 6.94: An overview of the relationships between orientation drivers, enablers, capabilities and impact.....	381
Table 6.95: An overview of the critical success factors in successful organizations	396
Table 7.1: Type of loyal customers in the cases	400
Table 7.2: Quality perception responses of customers	402
Table 7.3: Satisfaction responses of customers	403
Table 7.4: Memorable experience responses of customers	404
Table 7.5: Service failure and recovery responses of customers	405
Table 7.6: Recommendation responses of customers.....	406
Table 7.7: Approximate average total spend for loyal customers	408
Table 7.8: Search for alternative responses of customers.....	409
Table 7.9: Search for alternative responses of customers.....	410
Table 7.10: Approximate average minimum time spent with the firm.....	411
Table 7.11: Approximate time when emotionally loyal customers stopped searching for alternatives	412
Table 7.12: Cultural differences in brand preference for loyal customers	413
Table 7.13: The business impact vs. practice of various orientations	414

Table 7.14: Impact of brand orientation on business performance.....	416
Table 7.15: Brand orientation in best practice firms	416
Table 7.16: Impact of customer orientation on business performance	417
Table 7.17: Customer orientation in best practice firms.....	418
Table 7.18: Impact of market orientation on business performance.....	419
Table 7.19: Market orientation in best practice firms.....	419
Table 7.20: Impact of quality orientation on business performance.....	420
Table 7.21: Quality orientation in best practice firms	421
Table 7.22: Impact of service orientation on business performance	422
Table 7.23: Service orientation in best practice firms	423
Table 7.24: Use of leadership in best practice firms.....	424
Table 7.25: Employee focus in best practice firms.....	425
Table 7.26: Innovation in best practice firms	426
Table 7.27: Innovation in best practice firms	428
Table 7.28: A ranking of the business orientations	439
Table 7.3: Proposed loyalty management tool.....	447

List of publications

- Khan, O. (2009) CEM implementation: The key factors. IN ZAIRI, M. (Ed.) *Emotionally attached: Wooing and taking vows with customers*. Bradford, European Centre for Best Practice Management.
- Khan, O. (2009) CEM: The 'right brain' of customer focus. IN ZAIRI, M. (Ed.) *Emotionally attached: Wooing and taking vows with customers*. Bradford, European Centre for Best Practice Management.
- Khan, O. (2009) How to woo and create an emotional attachment: Lessons from the best. IN ZAIRI, M. (Ed.) *Emotionally attached: Wooing and taking vows with customers*. Bradford, European Centre for Best Practice Management.
- Khan, O, Zairi, M, & Yang, D. (2009) Towards understanding emotional loyalty in services, Frontiers in Service Conference, Hawaii, USA, Oct 29 – Nov 1.
- Khan, O. (2009) The continuum of capability building leadership emphasis on business orientations. IN ZAIRI, M. (Ed.) *Excellence Tetralogy: Gutsy Leadership*. Bradford, European Centre for Best Practice Management.
- Khan, O. (2009) The customer experience approach: The behavioural dimensions of loyalty. IN ZAIRI, M. (Ed.) *Excellence Tetralogy: The Inspired Customer*. Bradford, European Centre for Best Practice Management.
- Khan, O. (2009) The customer experience approach: A contemporary view of customer loyalty. IN ZAIRI, M. (Ed.) *Excellence Tetralogy: The Inspired Customer*. Bradford, European Centre for Best Practice Management.
- Khan, O. (2009) The customer experience approach: Managing loyalty in its totality. IN ZAIRI, M. (Ed.) *Excellence Tetralogy: The Inspired Customer*. Bradford, European Centre for Best Practice Management.
- Khan, O, Zairi, M, & Yang, D. (under review), The Service Loyalty Management Model, Journal of Service Marketing.
- Hussain, Z., Wallace, J., Tassabehji, R. & Khan, O. (2007), E-business in the developing world: An empirical study of payment methods and their implications. *International Journal of Electronic Business*, Vol. 5, No. 3, pp. 315-335.
- Khan, O. (2007), A change in paradigm in service loyalty. *Sprott Doctoral Symposium*. Ottawa, Ontario, Canada, Carleton University.

- Khan, O. & Hussain, Z. (2006), E-business in the developing world: Cash on delivery as an alternative online payment method. *British Academy of Management Conference*. Belfast, UK.
- Khan, O. (2005), Consumers' attitude towards using cash on delivery as an alternative online payment method in the developing world. *Institute of Behavioral Management conference*. Las Vegas, USA.

Chapter 1: Introduction

1.1. Introduction

Throughout the history of man, businesses have been looking at ways of increasing their longevity and profitability. Various methods and techniques have been adopted through time and place. The start of the industrial revolution was one of the key events in modern history that led to the boom of business. It started the production focus, where companies tried to produce more through the use of technology. As time progressed, businesses moved towards a sales focus and more recently to a marketing focus (Kotler *et al.*, 2005). Marketing focus revolutionized business as it sought to do something which hadn't been done previously, i.e. first find out what customers want and then to satisfy their needs.

Along the way a number of other important theories have become popular and are thought to be of importance to business. For instance, a quality focus helped Japanese firms like Sony and Toyota rebuild their industry after World War Two (Deshpande *et al.*, 1993). Marketing focus also led the way to a number of other important areas including focusing on the customer (Gummesson, 2008), and focusing on the brand (Bridson and Evans, 2004). More recently, researchers have called for focusing on providing services, even when we are selling physical products (Vargo and Lusch, 2004). These important areas of focus, or business orientations, are all thought to lead companies to achieve greater profitability (Khan, 2009f).

Researchers and practitioners have also realized that companies should try to make the customer happy, or try to satisfy the customer. Satisfying customers is said to be a central theme within all of these business orientations. Later, companies realized that satisfying customers was not enough and they needed to win a customer's loyalty as a means of increasing a company's long-term profitability (Zairi, 2009).

Today, customer loyalty is playing an increasingly important role in strategic management focus. Companies are placing higher importance on building and managing customer loyalty. There have been a number of research papers and articles published that support the notion that loyalty does lead to increased profitability (Khan, 2009e). Loyalty is currently thought to be one of the best ways that a company can ensure its long-term survival and profitability (Wong, 2004, Baloglu, 2002).

1.2. Research problem

Despite customer loyalty playing a central role in managerial decisions, research on customer loyalty has not been able to produce "generalizable results" (Bandyopadhyay and Martell, 2007). Moreover, there seems to be contradictions, gaps and differences in the findings of the results of various researchers. One of the major problems that researchers are facing involves trying to describe loyalty. Three different theories on loyalty have emerged, with emotional attachment emerging as the best form of loyalty (Thompson, 2006, Khan, 2009c, 2009g). While a number of the researchers agree that emotional loyalty is the best form, research has not shown us how to differentiate this from the other forms of loyalty.

Moreover, researchers are also interested in learning how to develop loyalty (Curasi and Kennedy, 2002). Various studies have offered clues. Specifically, researchers have examined the role of strategic orientations in the development of customer loyalty. Although links have been found, no comprehensive solution has been presented. Keeping the importance of these factors in mind, it makes sense to study: 1) the factors that distinguish emotional loyalty from other forms of loyalty, and 2) to find out the relationship between business orientations on the development of loyalty.

1.3. Research motivations

A number of factors have contributed towards the studying of this area. The first reason is a personal one. The researcher's past experience working in the industry, as well as consulting for firms, and experience of poor management practices led to the researcher to take an interest in loyalty. Furthermore, working as a consultant, the researcher realized that those companies who merely focused on satisfaction were not achieving success.

The second reason is that much of the newer research has pointed towards the benefits of emotionally loyalty (Mattila, 2001) and claimed it to be the best type of loyalty. Third, a number of researchers failed to produce a distinction between emotional and attitudinal (mid level) loyalty. While a number of benefits have been identified, there is room for improvement in our understanding, and there is a need to differentiate between the high level (emotional) and the mid level (attitudinal) loyalties (Khan, 2009f). Moreover, as

business goes global, there is a better need to understand the impact of culture on these types of loyalty (White and Yi, 2005).

Fourth, there is much literature on the various business orientations. Each one of these appears to claim to be the best for loyalty and profitability. There is some research which links each orientation to one another; however there is a lack of literature which examines all five of the main business orientations in a single study. Furthermore, there is a need to find out which orientation(s) have an impact on high levels of loyalty development, something which has not received much attention. There is also a need to find out what critical factors will lead to the effective implementation of a loyalty management system, something which is needed and has not been done on a wide scale level. Finally, there is a need for a model, which can be used by managers and researchers, to understand, build and manage loyalties of all types. This will be greatly beneficial to managers, especially, in understanding the various types of loyalty and then to manage that loyalty within their organizations, eventually leading them to success.

1.4. Research aims and objectives

The main aim of this research is to contribute towards the loyalty literature and to create a better understanding of the loyalty phenomenon. The overall purpose of this research is to propose a model for understanding and managing loyalty based on strategic business orientations and best practices. This is further divided into objectives, which are:

- To find the factors that distinguish emotionally loyal customers from attitudinally loyal customers.
- To explore the factors which explain the development of emotional loyalty towards these companies.
- To find any cultural differences in the way customers exhibit emotional loyalty.
- To explore the role that strategic business orientations have in the development of high levels of loyalty within an organization.
- To identify the critical success factors for organizations who want to develop high levels of loyalty within their organizations.
- To present a model that would help managers and researchers to better understand and manage loyalty in an organization.

1.5. Research contributions

This research's main contribution is to fill a gap in the research on customer loyalty. The research also contributes towards building a better understanding of the link between loyalties and business orientations. More specifically, the research provides a framework which is useful for understanding and managing customer loyalty.

First, this research will help in creating a better understanding of emotionally loyal and consequently, attitudinally loyal customers. This is important for future research work on this area as it provides a better understanding of these two types of loyalties. While there is research on both of these two loyalties, for the first time this research will provide a holistic analysis, based on empirical data.

The research also examines five of the most important business orientations in a single study. Past research has looked at several of these together, but none have undertaken a study that examines all five of these, relative to their relations with loyalty and performance. More importantly, this study will contribute towards creating a better understanding of building loyalty through finding critical success factors required for developing an effective loyalty management system.

The study will present a model, based on empirical research, which will be useful to both managers and researchers alike. This model will contribute towards understanding the relationships of the various types of loyalties and their relationships with business orientations. Finally, this work will contribute towards building a foundation for future research into the areas of business orientations and their relationships with various types of loyalties.

1.6. Research methodology

The purpose of this study is two-fold, first to analyze the differences between loyal customers and second to explore the role of business orientations and to find critical success factors on loyalty management. Hence this research is broken down into two main studies.

The first study will examine the differences between emotionally loyal and attitudinally loyal customers. This study will be based on an in-depth analysis of past literature on loyalty. The methodology for the first study will follow a case study approach, based on

qualitative data collection (Yin, 1994). In-depth interviews will be conducted with loyal customers in three organizations across two cultural settings. The interviews will form a basis for four cases studies, two in each industry setting and two in each cultural setting.

The second study will examine the impact business orientations have on customer loyalty as well as explore the critical success factors that are required for an effective system. This study will be based on an in-depth review of past theories on business orientations. This study will follow a case study approach, and seek to examine six best practice firms across six different industries.

Overall, the study will follow a sequential triangulation approach to research (Denzin, 2006), through which both parts of the research can build upon each other and help to create a holistic understanding. Using this approach, both of the studies will be analyzed and key findings identified. Furthermore, a collective analysis of the two studies will be carried out to create a model for loyalty management. Figure 1.1 outlines the process of this research.

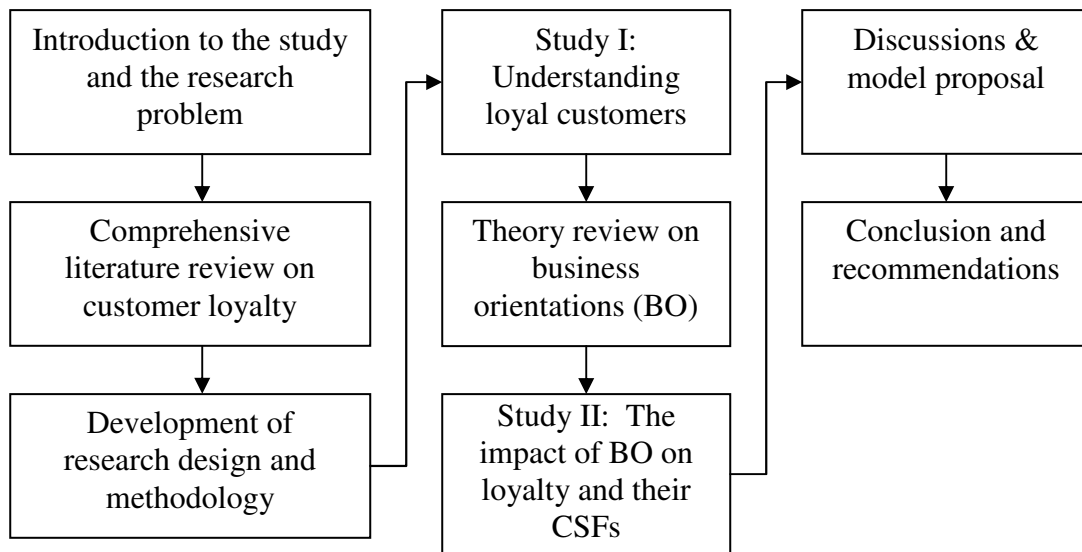


Figure 1.1: An overview of the research process

1.7. Outline of thesis

Based on the model presented above, this thesis is organized into eight chapters. A very brief overview of each of these chapters is presented below.

Chapter 1: Introduction: This chapter introduces us to the research problem and objectives. It also provides an overview of the whole thesis.

Chapter 2: Literature review on loyalty: This chapter deals with a comprehensive review of literature on loyalty. More specifically we discuss the three types of loyalty (behavioural, attitudinal and emotional) in addition to presenting previous models. A discussion of the benefits and problems with the various types of loyalty is also presented.

Chapter 3: Research design: The third chapter provides a thorough analysis of the different types of methodologies and methods available for the study. An appropriate research approach is chosen for the study. Reasons for choosing the approach are discussed, along with a discussion of how the research will be carried out.

Chapter 4: Study one on customer loyalty: The fourth chapter looks at the results of the qualitative primary case studies. This is followed by an analysis on the factors that are of importance for emotional and attitudinally loyal customers. The chapter also examines the cultural differences in loyal customers between European and Asian customers.

Chapter 5: Theory review on business orientations: This chapter conducts an extensive review of theories on business orientations. Five business orientations are analyzed here. Their benefits, antecedents and perceived impact on loyalty are also discussed.

Chapter 6: Study two on business orientations: This chapter looks at the results of the secondary qualitative case studies on best practice firms. The chapter also discusses the results of the cases, and examines the role of business orientations. Furthermore, an analysis into the critical success factors is also conducted.

Chapter 7: Discussion and model proposal: The discussion and model proposal chapter first discusses the key findings of the results from both of the studies, as well as

the theory. The results are analyzed and verified through the triangulation approach. Finally, a model is presented for loyalty management.

Chapter 8: Conclusion and recommendations: This is the final chapter which conducts a review of the whole thesis. This chapter concludes the findings of the research and looks at possible difficulties in conducting the research. The chapter also discusses the implications of the research results. Finally, recommendations are made for future research.

1.8. Summary

This chapter looked at the background of the research. It discussed the problem area and objectives of this research. The motivations for carrying out this research were stated. This was followed by a brief discussion of the methodology to be adopted. The implications of the research were also discussed, followed by an overview of the thesis. The next chapter will look at the customer loyalty literature in detail.

Chapter 2: Literature review

2.1. A review of literature on customer loyalty

2.1.1 Introduction

Building loyalty among a company's customers has become an area of importance for managers (Palmer *et al.*, 2000) and researchers alike. Loyalty has been termed as critical (Bowen and Chen, 2001), and essential for the long-term success of an organization (Kandampully, 1998). Loyalty is not only important for product focused firms but is also vital for service oriented companies (Butcher *et al.*, 2001). Such is the importance of loyalty that organizations who do not build loyalty among its customers are "doomed to eventual decline" (Duboff and Sherer, 1997).

The importance of loyalty has shifted marketing managers' primary focus away from conquest marketing (Shoemaker and Lewis, 1999), to defensive marketing. Conquest marketing or offensive marketing focuses on trying to attract new customers, or trying to increase customers' frequency of purchases (Shoemaker and Lewis, 1999). While, defensive marketing focuses on minimizing churn (Storbacka *et al.*, 1994) or "customer exit and brand switching" (Fornell and Briger, 1987).

Due to its importance, loyalty has received much attention, however despite the wealth of knowledge, it is felt that this "research paradigm is unique in its inability to produce generalizable results" (Bandyopadhyay and Martell, 2007). Furthermore, "previous research in the field has been unable to contribute a clear conceptual understanding of the loyalty phenomenon" (Bandyopadhyay and Martell, 2007). A number of different

models and definitions of loyalty have been presented. Various techniques have been devised to measure loyalty, and many different antecedents of loyalty have been researched. The focus of this research is on loyalty in the services context. An extensive review of past loyalty literature is conducted.

2.1.2. Benefits of loyalty

Researchers tend to agree that loyalty has many benefits for an organization. These benefits include but are not limited to, increase in revenues (Ennew and Binks, 1996; Bowen and Chen, 2001), higher prices (Reinartz and Kumar, 2002; Duboff and Sherer, 1997), higher market share (Hoisington and Naumann, 2003; Chaudhuri and Holbrook, 2001), reduction in costs (Reinartz and Kumar, 2002; Hoisington and Naumann, 2003) and eventually higher profitability (Loveman, 1998; Hoisington and Naumann, 2003; Bowen and Chen, 2001; Reichheld and Sasser, 1990; Hallowell, 1996). Loyalty is also beneficial to the customer (Gwinner *et al.*, 1998). These benefits are discussed in greater detail in the following paragraphs.

2.1.2.1 Saving in costs

One of the most important benefits of having loyal customers is that it helps a company save numerous costs. New customers are said to be more costly to acquire than existing customers are to retain (Reinartz and Kumar, 2002; Hoisington and Naumann, 2003). According to a U.S. Office of Consumer Affairs study, it is approximately five times more costly to acquire a new customer than to retain an existing one (Peters, 1988 *in* Rust and Zahorik, 1993). These findings have been agreed to in principle by other

researchers as well (Oliver, 1999; Fornell and Briger, 1987; Wong, 2004; Storbacka *et al.*, 1994; Griffin, 1998; Gronroos, 2001).

Existing customers are less costly to serve as compared to new customers, which leads to savings in costs (Reinartz and Kumar, 2002; Mittal and Lassar, 1998; Rust and Zahorik, 1993). Companies also save in marketing costs, since often little or no marketing is required for existing customers (Chaudhuri and Holbrook, 2001; Bowen and Chen, 2001). There are numerous savings in costs to acquire. These are best summarized by Mittal and Lassar:

Costs of advertising to entice new customers; costs of personal selling pitch to new prospects, costs of setting up new accounts, costs of explaining business procedures to new clients and, costs of inefficient dealings during the customer's learning process (Mittal and Lassar, 1998).

2.1.2.2 Increase in revenue

Loyal customers help a company by generating greater revenue. These customers spend more (Ennew and Binks, 1996; Bowen and Chen, 2001) with a company. Not only do loyal customers spend more with their primary product/service/brand (Chaudhuri and Holbrook, 2001), but they also purchase a larger variety of products/services from the firm (Shoemaker and Lewis, 1999).

An increase in revenue also occurs due to premium prices which loyal customers are willing to pay (Reinartz and Kumar, 2002; Duboff and Sherer, 1997). Companies may be able to charge premium prices to their loyal customers as a result of an increase in customer confidence with the firm (Reichheld and Sasser, 1990). Loyal customers may also, over the course of their relationship with an organization, become less sensitive to price (Ennew and Binks, 1996; Mattila, 2001b). Another reason for the willingness to pay a higher price is the perception that the brand offers a unique value to the loyal customer (Chaudhuri and Holbrook, 2001; Jacoby and Chestnut, 1978; Pessemier, 1959; Reichheld, 1996). Furthermore, companies can charge higher prices because loyal customers are less likely to ask about prices (Shoemaker and Lewis, 1999).

2.1.2.3 Recommendation

Loyal customers also act as marketing agents for the company by recommending the company to others (Reichheld and Sasser, 1990). This has also been referred to as positive word-of-mouth (WOM) (Dick and Basu, 1994; Reinartz and Kumar, 2002). Customers who are loyal to an organization will on average make between seven (Gremler and Brown, 1999) and twelve (Shoemaker and Lewis, 1999) recommendations. Moreover, 20% of the loyal customers will “go out of their way to mention their favourite” service provider (Shoemaker and Lewis, 1999). Loyal customer are said to offer positive recommendations, which are longer and more descriptive than first time customers (Lindberg-Repo, 1999). Thus, loyal customers become de facto sales persons for an organization (Bowen and Chen, 2001), persuading others to join (Gremler and Brown, 1999; Heskett *et al.*, 1997). This helps the organization in terms of improving the company’s image.

2.1.2.4 Positive behaviour

Loyal customers are less likely to switch (Bowen and Chen, 2001), because they tend to resist offers from competition (Dick and Basu, 1994). Not only do loyal customers resist competition, but also are less likely to search for other providers/suppliers (Dick and Basu, 1994). Loyal customers, hence require little marketing.

Loyal customers are also more likely to serve on advisory boards for an organization (Shoemaker and Lewis, 1999, Bowen and Chen, 2001), and help managers identify potential problems. Other positive behaviour includes, “picking up trash, busing tables, or reporting burnt out light bulbs and messy changing rooms to an employee” (Gremler and Brown, 1999).

2.1.2.5 Profits

Finally, a company will benefit by improvement in its bottom line, its profits. Numerous researchers have identified the link between loyalty and profitability (Loveman, 1998; Hoisington and Naumann, 2003; Bowen and Chen, 2001; Reichheld and Sasser, 1990; Hallowell, 1996). It has been found that loyal customers generate more profits for a company, as compared to new customers (Curasi and Kennedy, 2002). A loyal customer can be 10 times more profitable than the non loyal customer (Newell, 1997; Anderson and Srinivasan, 2003).

Improved levels of loyalty lead to increases in “employee morale and productivity” (Lee and Cunningham, 2001), and better efficiency (Reichheld and Sasser, 1990). These

factors eventually help the bottom line of an organization. Improvement in loyalty may increase profits between 25% and 85% (Heskett *et al.*, 1994). More specifically, an improvement of a mere five points can result in an increase in profits between 25% and 80% (Reichheld and Kenny, 1990). If a company were to retain 50% more customers, it might be able to increase profits by up to 100% (Reichheld and Sasser, 1990). A high percentage of loyal customers leads, eventually, to a greater market share of an organization (Hoisington and Naumann, 2003; Chaudhuri and Holbrook, 2001) and also results in greater value for the shareholders (Hoisington and Naumann, 2003).

In summary, a company gains much from loyalty of its customers. These benefits are both intangible, as well as tangible. “The longer a company keeps a customer, the more money it stands to make” (Reichheld and Sasser, 1990).

2.1.2.6 Benefits to customers

Thus far only benefits to companies have been discussed; however customers also gain from loyalty to an organization. Gwinner *et al.* (1998) conducted research to discover the benefits that customers get from being loyal. The research focused specifically on various services and did not look into products. Their research is based on two studies. In the first study, in depth interviews were conducted with customers, followed by a survey in the second study. The research reveals a number of benefits that customers seek from a loyal relationship with an organization.

Customers get social and psychological benefits. These include, a feeling of comfort, and a sense of security, along with trusting and confiding in the provider (Gwinner *et al.*,

1998). In addition to these, a customer also gets economic benefits. These can be in the form of discounts, quicker services, and saving the time needed to search for a new service provider. Furthermore, a customer may benefit from tailor-made services.

The most important of the benefits, as discovered in the study are the confidence benefits (Gwinner *et al.*, 1998). These relate to “the sense of reduced anxiety, faith in the trustworthiness of the provider, reduced perceptions of anxiety and risk, and knowing what to expect” (Gwinner *et al.*, 1998). Social benefits were ranked as the second most important of these benefits, followed by special treatment benefits. Social benefits include: “personal recognition by employees, customer familiarity with employees, and the development of friendship” (Gwinner *et al.*, 1998).

2.1.3. Costs of loyalty

Does building loyalty have any costs involved? It has been suggested that building loyalty with the wrong type of customers can be disastrous for a company. Duboff and Sherer (1997) point out that if a company is losing money while maintain a relationship with a customer, the last thing it should do is to make that customer loyal. Building long-term relationships with “non profitable customers can thus undermine a company’s bottom line” (Duboff and Sherer, 1997). They also argue that if the customers are loyal to outdated products or services, an organization may be led towards a false path, which would lead it become vulnerable to threats from competition (Duboff and Sherer, 1997).

Nevertheless, other researchers have found that costs are not significant in developing loyalty (Reichheld and Sasser, 1990; Gummesson, 1991; Hallowell, 1996). Reichheld

and Sasser (1990) have stated that increasing quality (which leads to loyalty) is not really a cost, but an investment. Hallowell (1996) makes similar claims. He points out that “there is no reason to assume that higher satisfaction requires net increases in cost over the long term that would reduce the projected increase in profit” (Hallowell, 1996). Finally, Gummesson (1991) believes that each individual case must be examined on its own, due to the absence of a general formula. Hence, it can be inferred that loyalty does not really cost a company. If companies build loyalty with profitable customers, the investment made in improving quality will only be returned in the shape of profits.

2.1.4. Loyalty

After having discussed the benefits of loyalty, it is imperative to look at loyalty itself. Unfortunately, unlike its benefits, the definition of the construct of loyalty is something that most do not agree upon (Bandyopadhyay and Martell, 2007; Javalgi and Moberg, 1997). Research reveals numerous definitions of loyalty (Jacoby and Kryner, 1973). A number of different angles of looking at loyalty have also been adopted in the past. For instance, this phenomenon (loyalty) has been described as *brand loyalty*, *customer loyalty*, *service loyalty*, as well as *loyalty*. So then, what is loyalty? Is there any difference between these terms, and if so, what are the differences?

2.1.4.1 Brand loyalty

One of the earliest, and perhaps most forward looking, definitions that pertain to loyalty is one that has looked at brand loyalty. Jacoby and Kryner, believed that brand loyalty consisted of both a customers’ behavioural as well as their attitudinal aspects (Jacoby and Kryner, 1973). They thought that brand loyalty consisted of six conditions:

The definition is expressed by a set of six necessary and collectively sufficient conditions. These are that brand loyalty is (1) the biased (i.e., nonrandom) (2) behavioral response (i.e., purchase) (3) expressed over time (4) by some decision-making unit (5) with respect to one or more alternative brands out of a set of such brands, and (6) is a function of psychological (decision-making, evaluative) processes (Jacoby and Kryner, 1973).

Later definitions of loyalty have used these basic concepts and built upon them. Another popular definition, which has been adopted by numerous authors is one presented by Oliver (1999). Oliver believed that loyalty to be:

A deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1999).

More recently researchers such as Bandyopdyay and Martell (2007) have agreed with these two sets of definitions by saying that “brand loyalty could be better understood by extending the behavioral definitions of loyalty so as to encompass attitudes” (Bandyopadhyay and Martell, 2007). Others have simply looked at purchasing patterns. Wernerfelt (1991) defined “a consumer as brand loyal if his purchasing pattern depends positively on the last brand purchased.

While the first three definitions have some similarities, since they all refer to the behavioural and the attitudinal aspects, Javalgi and Moberg (1997) believe that the literature generally lacks consistency in the way it defines loyalty.

2.1.4.2 Customer loyalty

Other researchers have preferred to look at loyalty from the customers' perspective. Interestingly, many similarities can be found between the definitions of brand and consumer loyalty. A frequently adopted definition is one which has been presented by Dick and Basu (1994). They simply say that customer loyalty is "the relationship between relative attitude and repeat patronage" (Dick and Basu, 1994). Other researchers have agreed with Dick and Basu and presented similar definitions. For instance, Grisaffe (2001) says that it is "a combination of attitudes and behaviors". Furthermore, a number of other definitions of consumer loyalty that encompass both the behavioural and attitudinal dimensions have been discussed.

For instance Curasi and Kennedy present the following definition of customer loyalty:

(1) The behavioral element of consumers' repeat purchasing; (2) an attitudinal component of customer satisfaction and commitment; and (3) the availability of choices to customers. (Curasi and Kennedy, 2002)

Ruyter *et al.* defined customer loyalty as follows:

In its cognitive sense, customer loyalty is frequently operationalised as a conscious evaluation of the price/quality ratio or the willingness to pay a premium price, or alternatively price indifference (Ruyter et al., 1998).

Neal has included the notion of resisting competition in his definition:

Customer loyalty is the proportion of times a purchaser chooses the same product or service in a specific category compared to the total number of purchases made by the purchaser in that category, under the condition that other acceptable products or services are conveniently available in that category (Neal, 1999).

Yim and Kannan (1999) believe that two types of loyalty exist:

We define two types of loyalty based on consumers' brand switching behavior – the first is hard-core loyalty, which is defined as the proportion of a product's purchases accounted for by repeat purchase the product alternative, and the second is reinforcing loyalty, which is the proportion of the product's purchases accounted for by consumers who may switch among product alternatives, but predominantly repeat purchase this product alternative to a significant extent (Yim and Kannan, 1999)

Gronholdt et al. (2000) look at the operationalization of customer loyalty:

Customer loyalty is operationalized by four indicators: the customer's intention to repurchase; intention of cross-buying; intention to switch to a

competitor; intention to recommend the brand/company to other consumers
(Gronholdt *et al.*, 2000).

2.1.4.3 Loyalty

Numerous other researchers have decided not to talk about a brand or a customer, but look at loyalty in general. Shoemaker and Lewis have discussed loyalty in terms of a customer's attachment to the firm:

The customer feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set; these customers buy almost exclusively from you-referring to you as their restaurant or their hotel (Shoemaker and Lewis, 1999).

A number of other researchers have presented definitions which encompass the same thoughts as Shoemaker and Lewis. For instance, Edvardsson *et al.*, believe that "loyalty is a customer's predisposition to repurchase from the same firm again" (Edvardsson *et al.*, 2000). While Yu and Dean believe that "true loyalty, in this context, encompasses a non-random, behavioral response which results from evaluation processes that result in commitment" (Yu and Dean, 2001).

Building on past definitions of loyalty, Butcher *et al.*, have defined loyalty as a psychological attachment:

Loyalty is defined here as the enduring psychological attachment of a customer to a particular service provider (Butcher *et al.*, 2001)

They believe that this “attachment is reflected through”:

- *advocacy of the service to others;*
- *tendency to resist switching to alternate service providers;*
- *identification with the service provider; and*
- *having a relative preference for the service ahead of other competitors. (Butcher et al., 2001)*

Furthermore, they discussed four dimensions of loyalty:

- (I) *positive word-of-mouth;*
- (II) *a resistance to switch;*
- (III) *identifying with the service; and*
- (IV) *a preference for a particular service provider (Butcher et al., 2001)*

Khatibi *et al.* chose fewer words to define loyalty, and present the following definition:

‘Loyalty’ refers to the strength of a customer’s intent to purchase again goods or services from a supplier with whom they are satisfied, (Khatibi et al., 2002).

Finally, a renowned loyalty expert, Richard Reichheld, who has published numerous *Harvard Business Review* articles as well as several books on the topic, presents a more thorough definition of loyalty:

A loyal customer is one who values the relationship with the company enough to make the company a preferred supplier. Loyal customers don’t

switch for small variations in price or service; [instead] they provide honest and constructive feedback, they consolidate the bulk of their category purchases with the company, they never abuse company personnel, and they provide enthusiastic referrals, (Reichheld, 2002).

These definitions of loyalty sound very similar to some of the definitions presented earlier of brand and consumer loyalty.

Since the focus of this study is on loyalty in the services context, it is imperative to examine definitions presented on service loyalty. The differences of loyalty as studied in services focused companies and product focused companies will be discussed in later sections.

2.1.4.4 Service loyalty

Two of the major definitions of service loyalty which will be examined in this research have been presented by Lee and Cunningham, and Caruana. Lee and Cunningham believe that service loyalty is the “customers’ intention to repatronize their current service provider (or company) based on past experiences and future expectations” (Lee and Cunningham, 2001). Gremler and Brown (1996) presented a similar definition:

The degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service exists (Gremler and Brown, 1996).

Both of these definitions have many similarities to those presented earlier. The main apparent difference being, the reference made to a service provider instead of a brand or an organization.

2.1.4.5 E-loyalty

With the growth of businesses over the internet, researchers have begun to explore loyalty dimensions in the electronic world. It seems that the definitions for electronic loyalty are adaptations of the various definitions of loyalty. For instance, Anderson and Srinivasan (2003) present the following definition of e-loyalty:

E-loyalty is defined as the customer's favorable attitude toward an electronic business resulting in repeat buying behavior (Anderson and Srinivasan, 2003).

This definition discusses the two major factors: attitudes and repeat purchasing, which have been presented by numerous other researchers while defining loyalty.

It is evident from literature that loyalty, brand loyalty and customer loyalty all are very similar. It appears that researchers have used the term interchangeably to describe similar concepts, i.e. a customer's loyalty towards a brand, or a company. However, the major difference between service loyalty, and the other three main terms is that service loyalty looks at loyalty specifically from the services angle.

To fully comprehend the nature of this study, it is imperative that the concept of services be discussed in detail. The next segment examines literature relevant to the services context.

2.1.5. Services

An article published in the Journal of Marketing by Lynn Shostack (1977) set the foundations for services marketing as an acceptable domain (Gronroos, 2006). This section looks more closely at the nature of services, and the differences between service oriented firms and product oriented firms within the loyalty framework.

2.1.5.1 The nature of services

Services are intangible (Sureshchandar *et al.*, 2001). The customer does not receive something that can be physically touched. For instance, a cab ride, a haircut, or a massage, are all examples of services. What the customer gets from a service cannot be stored, it is perishable (Sureshchandar *et al.*, 2001; Besson and Jackson, 1975; Thomas, 1978) and hence is “produced on an as needed basis” (Edvardsson *et al.*, 2000). While, products usually are produced before the purchase process (Edvardsson *et al.*, 2000) and are stored, transported, and packaged all prior to the customer placing the purchase order.

Services “consist of acts and interactions, which are typically social events” (Sureshchandar *et al.*, 2001). Services are designed “to assist, serve or fulfill customers’ personal needs” (Kandampully, 1998). Services differ from products on three concepts: “temporal duration of the interaction, emotional content, and the spatial proximity of

service provider and customer” (Price *et al.*, 1995; Mattila and Enz, 2002). Services and the service provider are closely related. For products, the customers rarely get to see the product being produced, or get to interact with the producers. The production and the consumption process in services are inseparable (Sureshchandar *et al.*, 2001; Gronroos, 1978; Zeithaml *et al.*, 1985).

In fact, the major aspect that distinguishes services from products is the nature of their processes (Gronroos, 2006). Services are produced in an interactive and open process, where both the producer and the customer participate (Edvardsson *et al.*, 2000; Gronroos, 2006). In certain cases the customer may be the “sole producer” (Edvardsson *et al.*, 2000). “Accordingly, a service encounter is defined as ‘a period of time during which a customer directly interacts with a service’” (Shostack, 1985 *in* Wong, 2004).

A process for services involves both the customer as well as the producer. From the customers’ perspective “the process includes everything that happens from the time they begin buying the service (e.g., calling to make a reservation) to the time that they leave the property (e.g., picking up their car from a valet)” (Shoemaker and Lewis, 1999). Similarly from the service company’s perspective, the process includes everything from the design and delivery to information management (learning about needs and wants of customers) (Shoemaker and Lewis, 1999).

2.1.5.2 Selective loyalty

Most researchers seem to agree with the notion, that not all customers should be pursued for loyalty. Anderson uses the 80/20 rule to explain this. The 80/20 rule is based on

Vilfredo Pareto, a 1906 Italian economist, who observed that 80% of the wealth of his country was controlled by only 20% of the people (Anderson, 2003). Later in 1945, Dr. Joseph Juran developed a principle called, “vital few and trivial many” which later came to be known as Pareto’s principle (Anderson, 2003). The idea is that a few, or the 20%, are the vital, and the rest, 80%, are the trivial many.

The 80/20 rule, or Pareto’s principle, can be applied to many different areas. For instance, 80% of a company’s sales may originate from 20% of the customers, or 20% of the services may generate 80% of the revenue. This rule can be applied for loyalty as well. Since a vital few generate most of the profits, it is then necessary for a company to focus on the important vital few, rather than the whole lot of customers. For example, in the financial services sector, it has been found that anywhere between 50% to 85% of a company’s profits may come from only 10% to 20% of the customers (Knox, 1998). Some even go to the extreme by saying that in certain cases 10% of the customers may give a company 100% of its profits (Storbacka *et al.*, 1994). It has been found that in various industries the ratio of the vital few varies. In retailing the vital few outspend others by a ratio of 16:1, while in the restaurant business this ratio is 13:1. Similarly, in the airlines industry the ratio is 12:1 and 5:1 for the hotel industry (Knox, 1998; Peppers and Rogers, 1993).

All customers, thus, are not created equal (O'Brien and Jones, 1995; Hallberg, 1995). Companies should try to focus on only those customers who it can satisfy and profit from (Duboff and Sherer, 1997; Ganesh *et al.*, 2000). Furthermore, the resources of a company may not allow it to satisfy all of its customers. Being selective is the only

alternative firms have (Reichheld, 2001). Customers that present the highest potential for profitability should be targeted for growth (Duffy, 1998). It does not make business sense to retain “hopelessly unprofitable” customers (Storbacka *et al.*, 1994). Some have even suggested that companies should target selective (vital few) customers (O'Brien and Jones, 1995), while support to unattractive (trivial many) customers should be cut (Knox, 1998).

Concentrating only on the vital few customers will allow the best utilization of resources, while making sure that the company gets the maximum profits. Moreover, it frees management as well as highly needed resources which can then be used to focus on those customers that can lead to higher growth (Knox, 1998). In conclusion, it may be best to “strive for ‘zero defections’ – keeping every customer the company can profitably serve – and they will mobilize the organization to achieve it” (Reichheld and Sasser, 1990).

It is important to discuss the factors that lead to the development of loyalty. Among these, customer satisfaction is one which has received much attention. The next segment looks at customer satisfaction research and its links with loyalty.

2.2. Developing loyalty

2.2.1. Customer satisfaction

Customer satisfaction is an important element for any organization. Companies that do not satisfy their customers are left with dissatisfied customers, who have a very strong

defection rate (Neal, 1999). Furthermore, dissatisfied customers may tell between 10 and 20 people about the poor quality of the service they have received (Mattila, 2001b).

Customer satisfaction has been described in a number of ways. Caruana has looked at customer satisfaction with respect to the retail banking industry and provides the following definition:

Involves a post purchase, global affective summary response, that may be of different intensities, occurring when customers are questioned and undertaken relative to the retail banking services offered by competitors (Caruana, 2002).

Customer satisfaction, being a post purchase measure, has been examined both from transaction-oriented as well as cumulative-focused approaches (Yoon and Kim, 2000). Cumulative satisfaction involves satisfaction from all of the previous transactions, as well as cognitive and affective components (Yu and Dean, 2001).

2.2.1.1 Measuring customer satisfaction

An important aspect of customer satisfaction is its measurement. Measuring customer satisfaction is of great importance in the quality management of firms (Wong and Kanji, 2001). Measuring customer satisfaction is not just a measure of satisfaction alone, but a tool for assessing the quality of services. This is an important function, since higher quality through customer satisfaction is said to be linked to higher economic returns (Gilbert *et al.*, 2004). Specifically, it is even more important to develop customer satisfaction measurement scales for the services sectors.

A number of country / region wide scales have been developed to measure customer satisfaction. Two of the most popular of these are the American Customer Satisfaction Index (ACSI), and the European Customer Service Index (ECSI) (Gilbert *et al.*, 2004). These customer satisfaction indices have been used to measure “the financial viability of companies, industries, and international trade unions” (Gilbert *et al.*, 2004).

Gilbert *et al.* have developed a satisfaction measurement tool which is based on two factors: satisfaction with personal service and satisfaction with the service setting. They surveyed over five-thousand fast food customers in Jamaica, Scotland, USA and Wales. Their research conducted in these four English-speaking countries found that these two factors are a suitable measurement tool of customer satisfaction (Gilbert *et al.*, 2004).

One of the most popular models within the customer satisfaction literature is the expectancy-disconfirmation model (Patterson *et al.*, 1997; Yu and Dean, 2001; Oliver, 1980; Brookes, 1995). The expectancy-disconfirmation model is based on two things, first, the customers’ expectations, and second the actual experience (Ganesh *et al.*, 2000). Customers’ expectations of service quality are compared with the actual service experiences, resulting in either satisfaction or dissatisfaction (Gilbert *et al.*, 2004). In other words, customer “satisfaction is determined by the confirmation or disconfirmation of expectations with perceptions of the perceived performance on various service items” (Yu and Dean, 2001; Danaher and Haddrell, 1996).

2.2.1.2 Satisfaction, loyalty and profitability link

Researchers have identified crucial links between customer satisfaction and loyalty, which in turn lead to profitability (Hallowell, 1996). These links have been explored in a number of studies. Bloemer and Poiesz (1989) state that customer satisfaction is “an important determinant of brand loyalty”. Caruana found a link between overall satisfaction and customer loyalty (Caruana, 2002). Customer satisfaction is also found to be an important determinant for repeat purchases, positive recommendations (WOM) as well as loyalty (Bearden and Teel, 1983). Seventy eight percent of the variance in repeat purchase intentions comes from customer satisfaction (Patterson *et al.*, 1997).

Yim *et al.* (2004) in a study focused primarily on customer relationship management (CRM) found that “customer satisfaction positively and significantly affects customer retention” (Yim *et al.*, 2004). Dube and Renaghan found similar results while conducting a study on the hotel industry. They state that “enhanced customer satisfaction leads to increased customer loyalty, occupancy rates, and revenue per available customer and, ultimately, hotel profitability” (Dube and Renaghan, 1999). Edvardsson *et al.*, agree with these publications. According to them, satisfaction affects loyalty, which has a “positive impact on market value as accounting returns” (Edvardsson *et al.*, 2000). They also found that this relationship leads to increased revenue, lowered operational costs, as well as improved overall profitability.

Customer satisfaction also has a positive relationship with shareholder value, and financial value of a firm (Anderson *et al.*, 2004). Anderson *et al.* state that for a 1% improvement in satisfaction, for a \$10 billion Business Week 1000 firm, a \$275 million

increase in value is expected. Examining data from the ACSI, Fornell *et al.*, found that companies with higher levels of satisfied customers tend to generate superior returns (Fornell *et al.*, 2006). They also claim that investors can use the customer satisfaction index as a good tool for investment purposes. Investments made on the basis of customer satisfaction will “produce sizable excess returns” (Fornell *et al.*, 2006).

Other researchers have found that satisfaction, along with other factors, leads to customer loyalty. Perceived switching costs, trust (Aydin *et al.*, 2005), and service quality (Ennew and Binks, 1996) have been found to act on customer loyalty. A more detailed study looked at economic orientation of customers. It was found that customer satisfaction plays a more significantly important role for customers with low economic orientation than those with a high economic orientation (Magi, 2003).

2.2.1.3 Extreme satisfaction

A number of studies have looked at the levels of satisfaction and their link with loyalty and profitability. It appears that customers who claim to be highly satisfied, as opposed to merely satisfied tend to be more loyal (Loveman, 1998). Xerox is one company that has found that those customers that are extremely satisfied are 6 times more likely to purchase Xerox’s equipment in the future than those customers who are satisfied (Heskett *et al.*, 1994).

A number of studies have also focused on the link between extreme customer satisfaction and profitability. It has been found that high levels of customer satisfaction, not only lead to loyalty, but also profitability (Gilbert *et al.*, 2004). This is true for a

number of industries including: hotels, banking, and shopping chains. High satisfaction leads to higher profitability levels (Gould, 1998). Except for a few rare cases, high levels of satisfaction help a company attain “superior long-term financial performance” (Jones and Sasser, 1995).

2.2.1.4 Satisfaction alone, does not lead to loyalty

Gronholdt *et al.*, conducted a study on the link between customer satisfaction and customer loyalty (Gronholdt *et al.*, 2000). The study focused on Danish customers, from the ECSI. From the chart presented in their study it can be inferred that companies with similar levels of satisfaction have very different levels of loyalty. There seems to be a massive variance in companies and their loyalty ratings. Companies with nearly the same level of customer satisfaction have very different loyalties. For instance, OBS (sat: 68), Netto (sat: 69), Albani (sat: 73), Fotex (sat: 74), have very different levels of loyalty. OBS has loyalty of 61, whereas Netto has loyalty of 76. Similarly, Albani has a loyalty level of 64, and Fotex has a loyalty level 74. This means that companies with very similar satisfaction levels can indeed have very different loyalty levels. Gronholdt *et al.*, found that this may be due to the competitive nature of the industry. The more competitive a market is the more sensitive changes in loyalty are to changes in customer satisfaction (Gronholdt *et al.*, 2000).

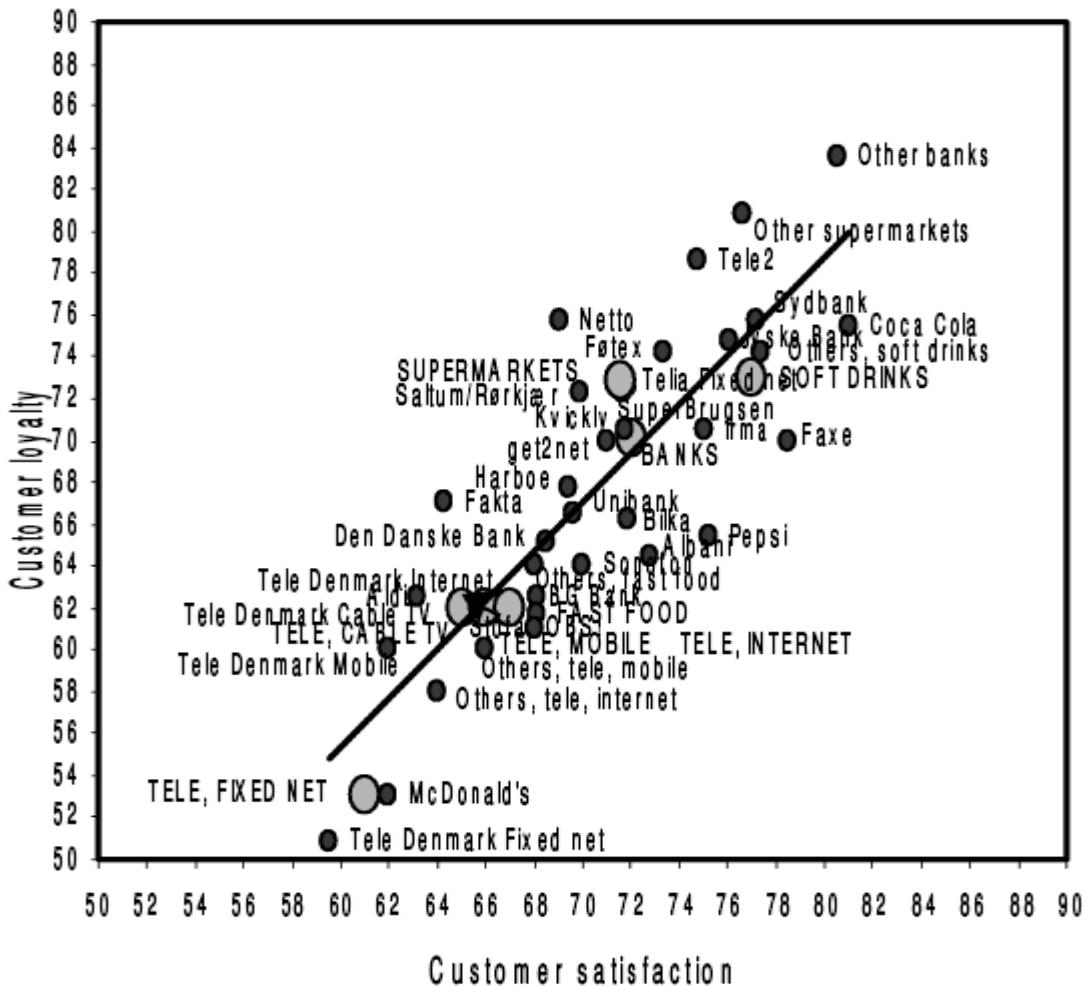


Table 2.1: Customer satisfaction versus customer loyalty (Gronholdt *et al.*, 2000)

Researchers have argued that customer satisfaction alone may not be a good indicator or a reliable measure for predicting loyalty (Mittal and Lassar, 1998; Reichheld, 2003; Shoemaker and Lewis, 1999; Storbacka *et al.*, 1994). It is claimed that satisfaction “may contribute to loyalty, but it is not equivalent to” it (Grisaffe, 2001). It has been argued that, “there’s a significant difference between satisfaction, which is largely a passive customer condition, and loyalty, which is an active or even proactive relationship with the supplier” (Fredericks *et al.*, 2001).

For instance, in Australia the big four banks have 23-32 percent dissatisfied customers, while they seem to be achieving record profits (Bennett and Rundle-Thiele, 2004). It has been argued that dissatisfied customers may continue to purchase from a company if no better alternative is available (Mittal and Lassar, 1998). Dissatisfied customers may also continue to purchase from the same supplier if the switching costs are high (Storbacka *et al.*, 1994; Gronhaug and Gilly, 1991).

Interestingly it has been found that even high degrees of satisfaction may not lead to loyalty (Mittal and Lassar, 1998; Neal, 1999). Oliver, argues that satisfaction is a temporary “post usage state” which shows whether the product/service has achieved its desired purpose (Oliver, 1999). However a customer may purchase a product only to fulfil a temporary need. Despite being satisfied, he/she may switch providers. Although satisfaction may have a positive effect on repurchase intentions, it does not have a direct effect on the actual repurchase behaviour (Magi, 2003; Seiders *et al.*, 2005).

Satisfaction and loyalty may be correlated in a different way. Dissatisfaction can almost certainly lead to switching behaviour, satisfaction on the other hand does not lead to loyalty (Mittal and Lassar, 1998). Yoon and Kim also discovered similar results. They found that loyalty towards a car maker, can be predicted in a better way if other attributes (such as performance) are measured instead of satisfaction (Yoon and Kim, 2000). “There are obviously aspects of relationship strength other than customer satisfaction” (Storbacka *et al.*, 1994). Customer satisfaction thus seems to be only one of the factors that may contribute towards building customer loyalty, but is not the only

one. It is therefore important for managers not to rely wholly on customer satisfaction ratings to predict loyalty (Bennett and Rundle-Thiele, 2004).

2.2.2. Loyalty programmes

Another popular method thought to increase loyalty is a frequency or loyalty programme (Liu, 2007). In 1981, American Airlines became the first airline in the United States to start one such programme, called a frequent flyer programme (Anderson, 2003). Since then, loyalty programmes have become very popular, being adopted by a large number of companies across different industries. “Loyalty programs are structured marketing efforts which reward, and therefore encourage, loyal behavior” (Sharp and Sharp, 1997). A customer gets rewards in the forms of discounts, lower prices, preferred services, and a host of other benefits for purchasing with a company. The more the customer purchases the greater the reward. These types of programs are popular and are currently offered in many different forms, including “frequent flyer programs conducted by airlines, cash rebates from credit card companies, and redeemable gifts from bank” (Keh and Lee, 2006).

Popularity of loyalty programmes can be measured by the number of consumers that join them. In the United States, research estimates that between 53% and 75% of grocery customers are members of some type of loyalty programme (Perrotta, 2002; Bellizzi and Bristol, 2004; Cigliano *et al.*, 2000).

2.2.2.1 Benefits of loyalty programmes

Loyalty programmes provide several benefits to a company. First, they help to increase spending and profitability. According to McKinsey research, 48% of the customers who enrol in a loyalty programme “spend more than they would otherwise” (Cigliano *et al.*, 2000). For instance, the Tesco Clubcard, in the UK, has helped Tesco improve its market share, since the average customer has increased their spending by 13% (Knox, 1998). Customers not only are encouraged to spend more, but also to make more frequent visits (Palmer *et al.*, 2000). Loyalty customers tend to make up a large percentage of the total sales. Know and Walker found that “47% of newspaper purchasers in the loyal cluster account for 60% of the sales” (Knox and Walker, 2001). The next major advantage of a loyalty programme is its ability to create a barrier, which the competition may find more expensive to bypass (Butcher *et al.*, 2001).

Another main advantage of a loyalty programme is the amount of data that can be collected about the customer. Since every time a customer uses a loyalty card, information is recorded and stored, a wealth of information is gathered by the company (Palmer *et al.*, 2000). This information can help a company find out about the spending and behaviours of customers (Cigliano *et al.*, 2000). It also helps managers to better plan, implement and control its marketing programmes (Palmer *et al.*, 2000). Another major advantage of this user information is its usefulness in developing customized marketing efforts, as well as in customizing products and services (Palmer *et al.*, 2000; Webster, 1992).

2.2.2.2 Shortcoming of loyalty programmes

Despite their popularity, research has found that “many customer loyalty programmes do not work” (Gould, 1998). A number of reasons have been unearthed that explain why they may not work. First, loyalty programmes are said to be expensive (Cigliano *et al.*, 2000). For instance in the airlines industry, the average spending on frequent-flyer programmes is 3% to 6%, whereas for advertising it is only 3% (Shoemaker and Lewis, 1999).

The second problem with loyalty programmes is that they “take on a life of their own” (Cigliano *et al.*, 2000). Customers become loyal to the loyalty programme, not to the brand (Shoemaker and Lewis, 1999). Customers become focused on the short term rewards, and do not consider quality or other features (Shoemaker and Lewis, 1999). Once the loyalty promotion has finished, or once the customer has received the reward, there is nothing to prevent customers from switching (Sharp and Sharp, 1997).

Third, loyalty programmes fail to promote loyalty (Cigliano *et al.*, 2000; Bellizzi and Bristol, 2004). They are generally short-term efforts to increase sales, and fail to build long-term relationships with customers (Bejou and Palmer, 1998). For example, Fly Buys, Australia’s biggest loyalty programme, has not made an impact on customer loyalty (Sharp and Sharp, 1997). This is also evident from the fact that many customers participate in multiple loyalty programmes (Weinstein, 1999; Bellizzi and Bristol, 2004; Brookman, 1999; Kumar and Shah, 2004). In one study on supermarket loyalty cards, it was found that 61% of the respondents had three loyalty cards. Only a mere “12 percent reported to have only one” (Bellizzi and Bristol, 2004). Finally, a McKinsey report

states that 70 of the grocery customers were “always seeking alternatives to their current retailers” (Cigliano *et al.*, 2000).

On the other hand, 78% of the supermarket loyalty card customers who have either no card, or just one card are very store loyal (Bellizzi and Bristol, 2004). These facts lead us to infer that loyalty programmes may not promote loyalty for all types of firms. Although a few companies may have benefited from them (e.g. Tesco), the vast majority of firms have not benefited from loyalty programmes.

2.2.3. Obstacles to loyalty

Research has found a number of factors that pose as obstacles to loyalty. Companies may struggle under certain circumstances to build loyalty among customers. One such example is variety seeking buying behaviour. In certain categories, customers will explore all of the different varieties until they have all been sampled. This poses a problem for companies trying to build loyalty among its customers (Oliver, 1999). Another problem could be multi-brand loyalty (Oliver, 1999); customers who prefer to purchase from two or more companies. A customer who purchases diesel from two different stations is an example of multi-brand loyalty.

A third obstacle could be withdrawal from the product category (Oliver, 1999). This may be due to change in need, or financial situation of the customer. For instance, a customer stops using public transportation when he/she purchases a car.

Some companies may experience better loyalty simply because of their size. This phenomenon has been explained by double jeopardy. Kuehn (1962) and Day (1969) discovered that heavier users of a product tend to be more brand loyal than those who were lighter users (Anderson and Srinivasan, 2003). According to double jeopardy, largest brands attract more loyal customers. Smaller brands not only have fewer customers, but also customers who purchase less frequently (Sharp and Sharp, 1997; Ehrenberg and Goodhardt, 2002; Chaudhuri and Holbrook, 2001).

2.3. Managing loyalty

A number of methods, classifications and strategies have been presented that show various ways through which loyalty can be managed for a firm. One of the earliest of these is the service-profitability chain. According to the service-profitability chain, “loyalty is a direct result of customer satisfaction” (Heskett *et al.*, 1994). Initially value is developed by employees. The employees must be satisfied and loyal in order for them to create value, (Khan, 2009a). Employee satisfaction is supposed to be a result of high-quality support services, and employee friendly policies. The value that is created by employees is what leads customers to become satisfied, and eventually loyal to the organization. All of this needs to be supported by top management (Khan, 2009a, Heskett *et al.*, 1994).

In a second model, Storbacka *et al.*, present several links. Each of these links needs to be fulfilled properly for loyalty to develop. In the first link, it is stated that there is a link between the quality of services and customer satisfaction (Storbacka *et al.*, 1994). For

Storbacka *et al.* satisfaction consists of both the cognitive as well as the affective perspectives.

The second link focuses on customer satisfaction and relationship strength. It is imperative for companies to develop strong relationships with their customers. This can be achieved through satisfaction. They have identified ten different bonds that customers can form with their service providers: “legal, economic, technological, geographical, time, knowledge, social, cultural, ideological and psychological” (Storbacka *et al.*, 1994). The third link in this equation is the one between relationship strength and relationship longevity. Longevity can be developed through intrinsic and extrinsic factors. Extrinsic factors include, “market structure in which the relationship exists, and the possible geographical limitations” (Storbacka *et al.*, 1994). The intrinsic factors relate to “the relationship strength and the handling of critical episodes during the relationship” (Storbacka *et al.*, 1994). The final link relates to relationship longevity and customer relationship profitability. The longer and the stronger the relationship a company has with its customers, the more profitable that relationship is bound to be.

Both of these models cover different factors. Whereas the first model focuses on the employees, and internal quality factors, the second model looks more at relationships. Although both present useful information, neither presents a detailed view of loyalty development.

Jones and Sasser believe it is not feasible to look at all customers in the same way. It is their opinion that “different satisfaction levels reflect different issues and, therefore,

require different actions” (Jones and Sasser, 1995). They have divided customers into groups according to their loyalty strength and satisfaction.

Individual Customer Satisfaction, Loyalty, and Behaviour			
	Satisfaction	Loyalty	Behaviour
Loyalist/Apostle	High	High	Staying and supportive
Defector/Terrorist	Low to medium	Low to medium	Leaving or having left and unhappy
Mercenary	High	Low to medium	Coming and going; low commitment
Hostage	Low to medium	High	Unable to switch; trapped

Table 2.2: Loyalty classifications (Jones and Sasser, 1995)

The Mercenary: These types of customers “may be completely satisfied but exhibit almost no loyalty” (Jones and Sasser, 1995). These customers are usually expensive to acquire, but they depart quickly.

The Hostage: Hostages have no other alternative but to stick with a company. Sometimes “these individuals experience the worst the company has to offer and must accept it” (Jones and Sasser, 1995).

The Loyalist and the Apostle: The loyalist is someone who is highly satisfied with the company. These customers return frequently to the company. In certain circumstances,

a company can have customers whose expectations have been exceeded by a huge margin. These customers actively recommend the company to others, and are known as apostles.

The Defector and the Terrorist: Defectors are those customers who switch. Customers who switch may include dissatisfied, quietly dissatisfied, neutral and merely satisfied customers. The worst of these is the terrorist, who has had a very bad experience and tells others about it. Jones and Sasser have presented a useful model for classifying customers. Although this model may be over simplified in certain instances, it serves as a good foundation. Next, Duboff and Sherer presented four principles, which firms can follow to build loyalty (Duboff and Sherer, 1997).

The first principle is to focus on specific types of customers. Importance of being selective has been discussed in an earlier segment. According to the second principle, companies need to focus on creating value instead of lowering prices. For instance, value can be created by acknowledging important events in the life of a customer. The third principle suggests that companies should not just reduce churn, but also work on developing loyalty. One method of building loyalty could be to customize services to meet customers' needs (Duboff and Sherer, 1997). Finally, the fourth principle asks companies to “systematically prioritize efforts based on ROI (return on investment)” (Duboff and Sherer, 1997). Improving ROI would mean trying to target the most profitable customers, not the highest volume ones.

Oliver presented four loyalty strategies. These strategies are based on two factors: individual fortitude and community support.

		Community/Social Support	
		Low	High
Individual Fortitude	Low	Product superiority	Village envelopment
	High	Determined self-isolation	Immersed self-identity

Table 2.3: Four loyalty strategies (Oliver, 1999)

Self-isolation: Customers in this state are loyal only to one brand. The customer is so enthusiastic about his/her brand that “he or she has achieved a state not unlike the concept of love” (Oliver, 1999). The customer seems to be immune from competition, will defend the brand, and recommends it to others.

The Village: In a village the importance is on the community of which a customer feels a part when he/she consumes a particular product or service (Oliver, 1999). The customer in this type of loyalty will voluntarily and willingly submit to the judgment of the group. This is performed by the customer for the rewards of membership to the community. The rewards can be in the form of a friendship (Oliver, 1999). This concept is similar to that of a family.

Individual and Social/Integration: A customer who is in this type of loyalty situation will feel as if he/she is part of the product/service. Examples of this type of loyalty can be towards “sports teams, music groups, well-known entertainers” etc. (Oliver, 1999).

Companies need to do the following in order to create that extreme love type of loyalty. A product/service needs to be unique or superior to its competition. “Second, a profitably sized segment of the firm’s customers must find it desirable in this manner” (Oliver, 1999). The product or service “must be subject to adoration” from the customer’s perspective (Oliver, 1999). Moreover the company needs to be able to embed this in a social network, and needs to develop and maintain the village (Oliver, 1999). Those companies that are not able to create any loyalty angles, simply satisfying the customer is their best chance for success.

This model is different from others because it looks at loyalty from an individual as well as a community based angle.

Oliver has also discussed loyalty phases, or those phases in which customers become loyal. The theoretical model states that at first a customer will become loyal in a cognitive sense. The customer then moves on towards becoming loyal in an affective sense, later moving on to conative, and finally into behavioural loyalty (Oliver, 1999).

Cognitive loyalty is defined as one where the customer becomes loyal to a brand solely on the basis of brand beliefs. This is similar to the notion of brand image. Affective loyalty means that the customer develops a liking towards the brand. This is built through the positive experiences that the customer has experienced. Conative loyalty is where the customer develops a “deeply held commitment to buy” (Oliver, 1999).

Finally, action loyalty or behavioural loyalty is one where the “intentions are converted to actions” (Oliver, 1999).

This is a theoretical model, which has received much attention. For example, it has been used to develop a multi-item scale (McMullan, 2005).

Shoemaker and Lewis have adopted a slightly different approach to that of Oliver. They developed a Loyalty Triangle[©] (Shoemaker and Lewis, 1999). The Loyalty Triangle is based on three major principles: processes, value creation and database management.

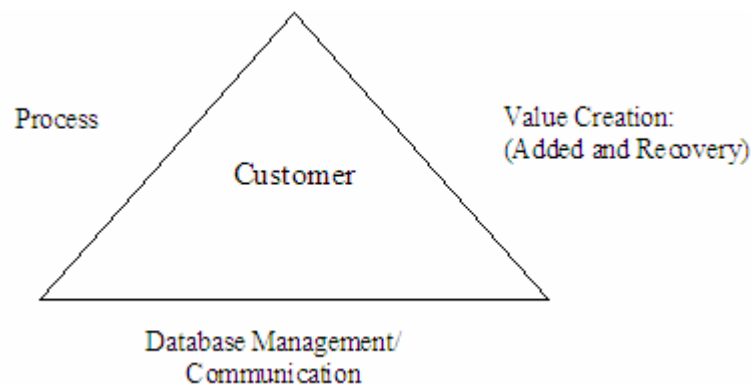


Figure 2.1: Loyalty Triangle[©] (Shoemaker and Lewis, 1999)

Value-added and value-recovery strategies are important because they help a firm to attain the highest level of profitability (see Figure 2.2). Value added strategies help to build long-term relationships with the customer. Value added features include providing the customer with benefits, upgrades, or customized products/ services. Value-recovery is focused on fixing problems that arise during the service delivery process. These include amendments and compensations (Shoemaker and Lewis, 1999).

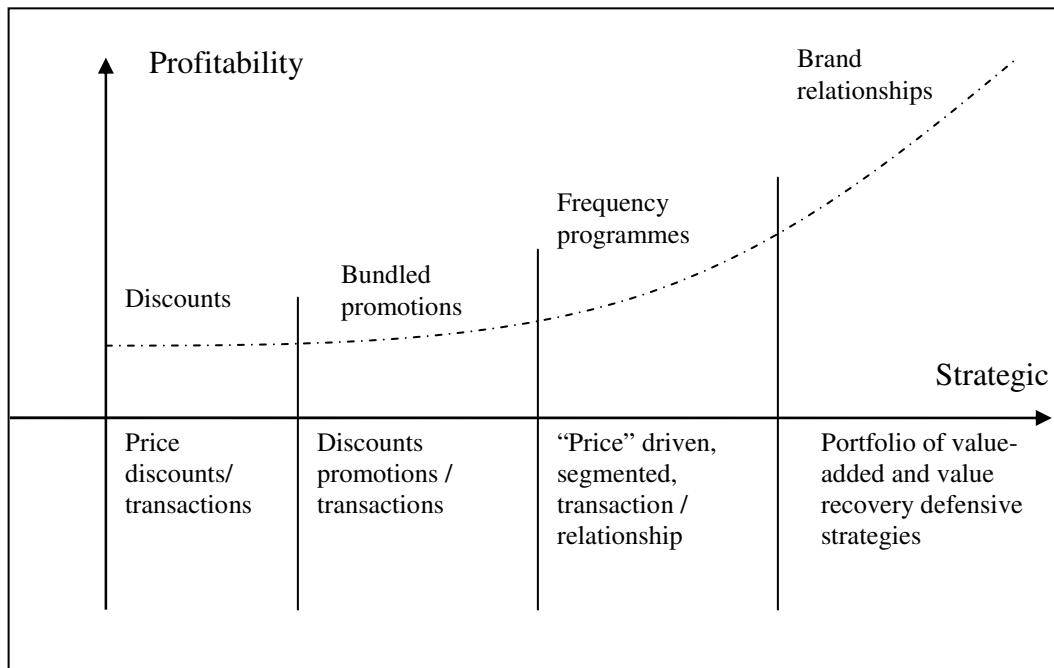


Figure 2.2 Value added strategies and profitability (Shoemaker and Lewis, 1999)

Database management allows a company to gather information about a customer. This information can then be used to create customized solutions, and is a basis for conducting one-to-one marketing (Shoemaker and Lewis, 1999). Finally, communication is considered to be an important aspect of loyalty development. This incorporates all of the communication a company has with its customers.

Fredericks presents a model that incorporates numerous factors (Fredericks *et al.*, 2001). According to this model, image and performance impact upon relative quality. Relative quality and relative price affect relative value. The value leads a customer to become loyal, which results in loyal behaviour. Loyalty is moderated by switching barriers and switching inducements. Loyal behaviour leads to business performance.

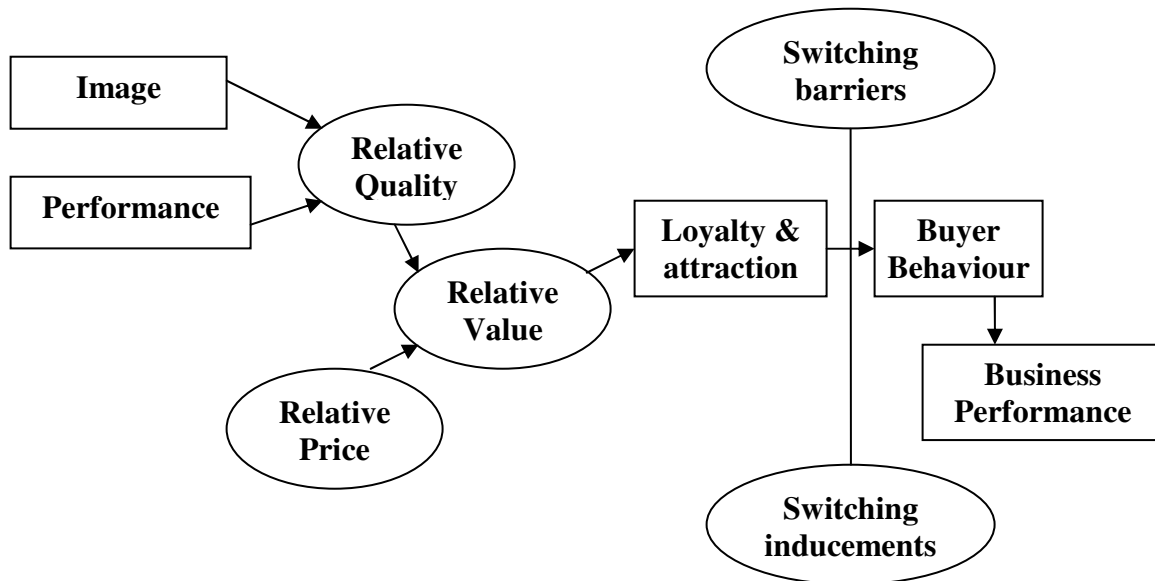


Figure 2.3 Factors affecting business performance (Fredericks *et al.*, 2001)

Hoisington and Naumann believe that companies need to concentrate on five major aspects: product quality, service quality, quality of relationship between customer and supplier, image, and price perceptions (Hoisington and Naumann, 2003). These five factors together will help a firm to build satisfaction, WOM, repeat purchases, and value for money.

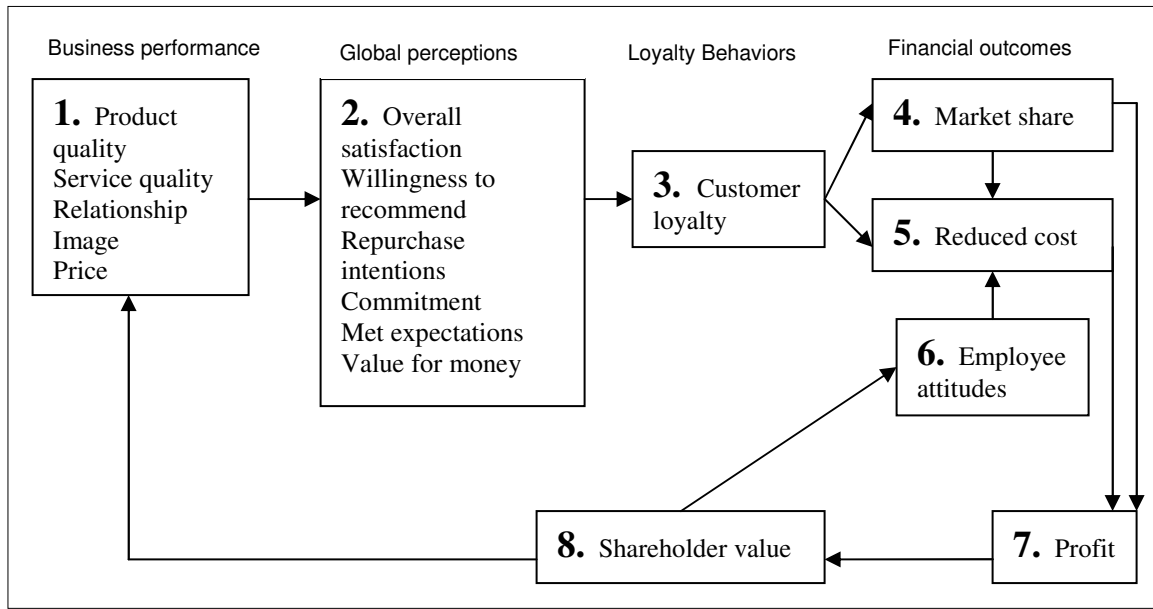


Figure 2.4: Customer loyalty model (Hoisington and Naumann, 2003)

Factors outlined in step two (i.e. overall satisfaction, willingness to recommend, repurchase intentions, commitment, met expectations and value for money), will lead to loyal behaviours, or customer loyalty. Loyalty then leads to various financial and non-financial benefits. These include, market share, reduction in costs, positive employee attitudes, and profitability. This model seems to be a more comprehensive one. However, it is a different approach compared with Oliver's model.

Reinartz and Kumar have come up with four loyalty strategies based on profitability and longevity (Reinartz and Kumar, 2002).

High Profitability	Butterflies	True Friends
Low Profitability	Strangers	Barnacles
	Short-Term Customers	Long-Term Customers

Figure 2.5 Choosing a loyalty strategy (Reinartz and Kumar, 2002)

Butterflies: Butterflies offer a high potential for profits, but are generally short-term customers. For butterflies, a company needs to work on building satisfaction, and not attitudinal loyalty (Reinartz and Kumar, 2002). The major challenge for companies is to stop investing before the customer switches.

Strangers: These customers offer the lowest profitability potential. Usually there is “little fit between company’s offerings and customers’ needs” (Reinartz and Kumar, 2002). A company should not make any investments in these relationships.

True Friends: True friends are those that offer the highest profitability potential. Companies need to work on building both attitudinal and behavioural loyalty. Moreover, companies should try to “delight these customers to nurture, defend, and retain them” (Reinartz and Kumar, 2002).

Barnacles: Barnacles offer a low profit potential. Companies need to manage these customers on the basis of the size and share of the wallet.

There may be no correct way of making loyalty profitable. According to the authors, different approaches will be more suitable to different businesses, depending on the profiles of their customers and the complexity of their distribution channels” (Reinartz and Kumar, 2002).

Finally, Curasi and Kennedy presented a model which classifies customers into different levels of repeat buyers and loyal customers. This model seems to be an improvement of the one presented by Jones and Sasser (1995).

	Prisoners	Detached loyalists	Purchased loyalists	Satisfied loyalists	Apostles
Description	Trapped repeaters	Would be switchers	Consumers' loyalty bought	Reasonably satisfied consumers	Involved participants
Primary bond	Forced - no practical options	Functional - high switching costs	Structural - reward programs	Satisfaction - no reason to switch	Emotional - personal commitment beyond function
Role of satisfaction	Irrelevant	Low	Moderate	High	Beyond satisfaction - other factors considered also
Customer commitment	Nil	Low	Moderate	Moderate to high	Very high
Choice availability	No practical short-term choices available	Few	Moderate number to many	Many	Many
Example	TV cable company	Dentist	Airlines with frequent user programs	Retailers	Hair stylist

Table 2.4 Five levels of repeat buyers and loyal customers (Curasi and Kennedy, 2002)

Prisoners: This group seems to be similar to the hostages category presented by Jones and Sasser (1995). Curasi and Kennedy add that these types of firms usually have a

monopolistic hold, and provide one-size-fits-all types of service (Curasi and Kennedy, 2002).

Detached loyalists: This type of customer purchases from a firm because of convenience. For these customers switching costs are the main factor keeping them loyal to a company.

Purchased loyalists: Purchased loyalists are loyal to a company because of their loyalty programmes, or pricing deals.

Satisfied loyalists: This category of customers is loyal because of satisfaction. Customers may use the services due to habits or “comfort with the service provider, the physical surroundings. Or overall market offering of competing firms” (Curasi and Kennedy, 2002).

Apostles: Again, this category is based on the model presented by Jones and Sasser (1995). Loyalty in this group is primarily based on relationships. These customers will purchase a greater depth of services. Furthermore, this extreme level of loyalty “includes emotional connections beyond the more utilitarian focus of lower levels of loyalty” (Curasi and Kennedy, 2002).

2.3.1. Service quality

Following the examples of products, services too are focusing on quality, which can be used as a “competitive weapon in the service industry” (Khatibi *et al.*, 2002). Service

quality's role has become even more important because of its importance in creating loyalty (Lee and Cunningham, 2001). Among other things, service quality, as well as perceived service quality, leads to the development of loyalty (Ennew and Binks, 1996; Ruyter *et al.*, 1998; Edvardsson *et al.*, 2000). Furthermore, service quality is said to influence loyalty through satisfaction (Caruana, 2002).

Quality is important because customers purchase results, not specifically products or services, and hence the quality of the results help to build loyalty (Loveman, 1998).

We can further dissect service quality into two dimensions: technical and functional (Mittal and Lassar, 1998). Technical quality is the 'what' aspect of the services. This refers to the basic service itself. The quality of the haircut or the diagnosis by a doctor, are examples of technical quality. Functional quality relates to the 'how' aspects of quality. The speed of the delivery, the courtesy of the sales persons, and the pleasantness of service are examples of the functional quality aspects (Gilbert *et al.*, 2004).

Both of these types of quality are important in developing loyalty (Ennew and Binks, 1996). However, it has been found that each one influences loyalty in different sectors differently. For example, functional quality is expected to influence high contact services and technical quality the low contact services (Mittal and Lassar, 1998). In their study, Mittal and Lassar found that for health care services, functional quality only helps to achieve basic satisfaction, whereas the addition of technical quality is needed to foster loyalty. For a car repair service, technical quality is needed to achieve the basic

level of satisfaction, and in this case functional quality has to be added in order to win loyalty (Mittal and Lassar, 1998).

2.3.2. Measuring service quality

Service quality is measured through a number of methods. One of the popular methods is the GAP Model of Service Quality (Shoemaker and Lewis, 1999; Zeithaml and Bitner, 1996). Another model is the SERVQUAL, or the service quality model (Parasuraman *et al.*, 1988; Parasuraman *et al.*, 1994). The GAP model looks at the differences between what is expected and what is actually received. The GAP model focuses on three main gaps: 1) the difference between what the company thinks of customers' expectations, and the actual customers' expectations; 2) the difference between customer expectations and the service delivery; and 3) the third gap is "defined as the gap between the customer-driven service designs and standards and the service delivery" (Shoemaker and Lewis, 1999).

SERVQUAL works on a similar method. However the SERVQUAL looks at five major areas. SERVQUAL has become very popular, and has been used in a number of research studies. For instance, it has been adopted for use in measuring service quality of libraries (Landrum and Prybutok, 2004), mobile operators, etc. SERVQUAL looks at the following five dimensions of quality:

1. *Core service or service product.*
2. *Human element of service delivery.*
3. *Systematization of service delivery – non-human element.*

4. *Tangibles of service (servicescapes).*
5. *Social responsibility.*

Recently a study by Sureshchandar *et al.* added three new dimensions to the SERVQUAL framework. These other dimensions are: core service, systematization of service delivery and social responsibility (Sureshchandar *et al.*, 2001).

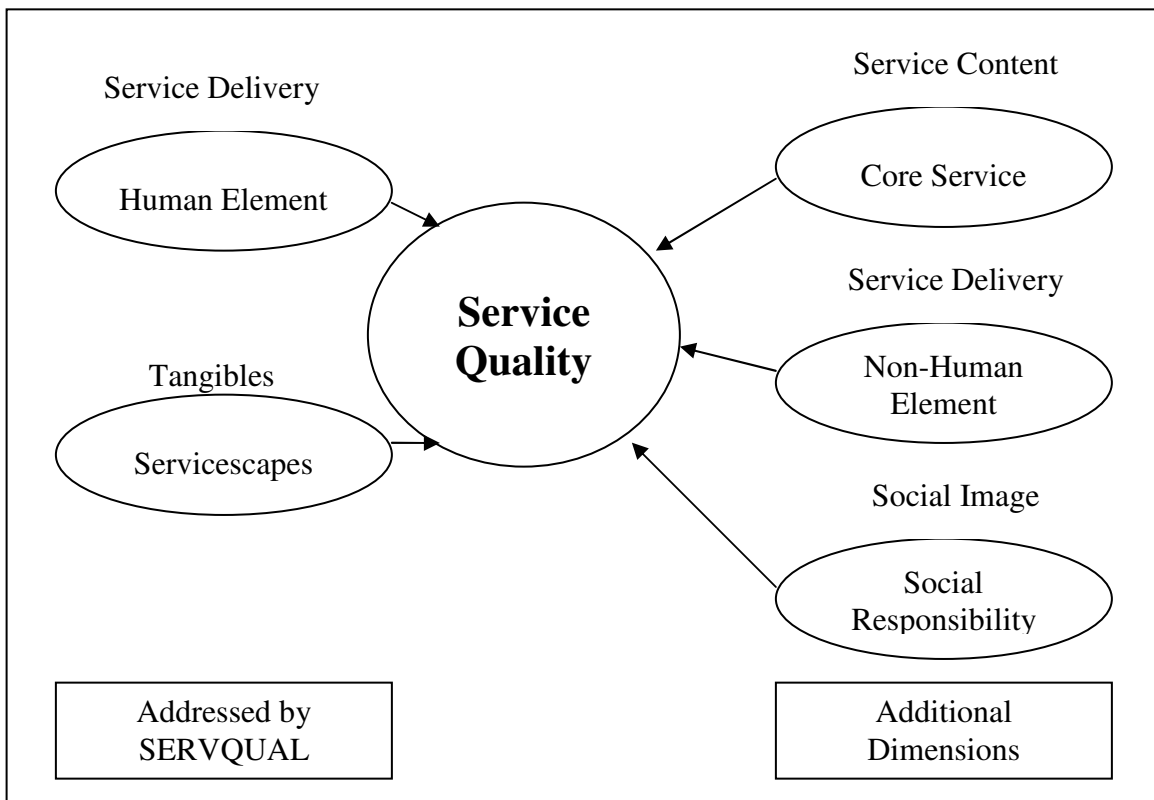


Figure 2.6: The critical factors of customer perceived service quality (Sureshchandar *et al.*, 2001)

2.3.3. Antecedents of loyalty

The next segment examines the antecedents of loyalty as found in loyalty literature. In addition to satisfaction and service quality, a number of other factors have been found to play a positive role in building loyalty.

2.3.3.1 Recommendation

A number of studies have discovered that customers who have been recommended to a service provider will tend to be more loyal than those who found out about the service through other sources (Bowen and Chen, 2001; Salgaonkar and Mekoth, 2004; Edvardsson *et al.*, 2000). Bowen and Chen found that customers of hotels “prefer personal information sources. Positive word-of-mouth increases the hotel’s reliability and decreases customer’s perceived risk” (Bowen and Chen, 2001). Salgaonkar and Mekoth conducted a study on health services based on the Tie-Strength Relationship Model developed by Brown and Reingen (1987). The relationship is considered to be strong in cases where the person recommending knows the potential customer personally. In their study, they found that a patient who uses the services of a physician due to a recommendation is likely to be more loyal (Salgaonkar and Mekoth, 2004). Although the true nature of the tie-strength relationship was not explored in the study, it provides a foundation for further study. Furthermore, Gremler and Brown discovered that “personal recommendations received about service providers are often very influential in consumers’ purchase decisions” (Gremler and Brown, 1999). Recommendation is considered to be very important for those services where perceived risk is high (Heskett *et al.*, 1997; Gremler and Brown, 1999).

Recommendation is also a tool that can be used to measure the loyalty of a current customer. It is considered the best indication, because the customer puts his/her “reputation on the line” (Reichheld, 2003). The argument is that customers would only make a recommendation if they were intensely loyal to the company (Reichheld, 2003).

2.3.3.2 Moods

A customer's mood may not lead directly to loyalty, however, it does make a positive impact on the customer's evaluation of services (Mano and Oliver, 1993; Mattila and Enz, 2002). For instance, positive moods may result in favourable evaluations, and negative moods may lead to unfavourable evaluations. However, moods are usually beyond the control of the company. They may be able to control the moods of their employees, but affecting customer moods may be a tall order.

2.3.3.3 Customer value / perceived value

Customer value helps to foster loyalty among a company's customers (Dube and Renaghan, 1999). According to Neal, value helps to predict choice, and thus customer loyalty (Neal, 1999). Customers will choose the best value product or service, and thus become loyal to that particular company. Hence, a company that provides customers with outstanding value, is expected to benefit from both higher levels of customer satisfaction, as well as loyalty (Jones and Sasser, 1995).

A number of studies have found that value helps to build loyalty. For instance, Hoisington and Naumann found that "customers with high perceptions of value were loyal, and those with lower value perceptions were much more likely to defect" (Hoisington and Naumann, 2003). Similarly, Dube and Renaghan discovered that five major factors were necessary for the development of loyalty, including perceived value (Dube and Renaghan, 1999).

2.3.3.4 Brand name / image

The brand name, reputation and image also have a significant impact on the loyalty of customers (Yoon and Kim, 2000). Dube and Renaghan found in their study that frequent travellers rely on the brand name and reputation when making purchase decisions (Dube and Renaghan, 1999). Other studies too have found similar results (Gronroos, 1984; Baloglu, 2002; Yoon and Kim, 2000).

2.3.3.5 Employees

The role of employees is crucial in creating customer loyalty in the services context, (Khan, 2009a, 2009b). This is due to the fact that employees play a central role in the production of the service. According to Loveman, “capable employees enthusiastic about delivering great service generate high levels of customer satisfaction” (Loveman, 1998). Other researchers agree with this notion. Best-practice champions in the hotel industry believe there is a strong “link between employee satisfaction, customer satisfaction and profitability” (Dube and Renaghan, 1999). Yoon and Kim discovered that the sales person’s attitude is an important factor for developing loyalty (Yoon and Kim, 2000).

In the services context the responsibility of the employee is increased. Each employee is then a “part-time marker for making customers satisfied” (Gronroos, 2006). Moreover, employees act as an all-in-one for the customer. They have to perform the functions of production, administration, marketing and finance (Gummesson, 1991) as well as other functions.

Abilities or qualities of employees that help to contribute towards loyalty, as identified by research, include: employee responsiveness, empathy and knowledge (Lee and Cunningham, 2001). Moreover, their level of orientation towards customers, perceived knowledge (Bejou *et al.*, 1998), and positive attitudes (Hoisington and Naumann, 2003) were seen as factors that help to build loyalty. Barnes discovered that dedicated employees can build “emotional value” for the customer, by interacting with and making the customer feel special, valued and important (Barnes, 2003). Employees need to “create respect, appreciation, recognition, understanding and acknowledgement of the customers’ value to the firm (Barnes, 2003).

The employee and customer relationship seems to be a two way stream. Not only do employees contribute towards customer satisfaction and loyalty, but satisfied customers can lead towards satisfied employees (Reichheld and Kenny, 1990). The importance of employees is one of the key factors towards building loyalty. Dedicated employees can help an organization in generating higher results (Reichheld, 2001), leading towards higher profitability. It has been found that usually it is the long-term employees, who are able to build that close bond with the customers (Reichheld and Kenny, 1990). In certain cases this close emotional bond may be more important than technical skills (Gummesson, 1991). A significant portion of the loyalty literature focuses on building loyalty among a company’s employees. Researchers have explored various areas from employee empowerment (Gummesson, 1991), to employee retention (Johnson, 2005). This area, however, is outside the scope of this study.

2.3.3.6 Barriers: (switching costs, sunk costs)

A number of barriers exist that may help when building loyalty. These barriers may include switching costs (Aydin *et al.*, 2005), the cost for searching for a new service provider, the geographic location of the service provider to the customer (Lee and Cunningham, 2001), and sunk costs. Most research in this area has focused on switching costs. Aydin *et al.* claim that perceived switching costs along with other variables may lead a customer to become loyal (Aydin *et al.*, 2005). Ruyters *et al.* had a similar finding. They found that in the service industries, customers who perceive switching costs to be low will be less loyal (Ruyter *et al.*, 1998). Baloglu agrees and adds that high switching costs increase behavioural, and also attitudinal loyalty (Baloglu, 2002).

Porter defined switching costs as those costs related to a customer shifting from one company to another (Porter, 1980 *in* Ruyter *et al.*, 1998).

Perceived switching costs for the truly loyal players (score = 5.6) was significantly higher than others. The truly loyal also had more positive relative experience and a greater overall relative image (Baloglu, 2002). Interestingly, switching costs has no effect on those customers who perceive it to be low (Aydin *et al.*, 2005). However, companies can create high switching costs for customers by offering a higher value service, and a more effective economic value (Liu, 2006).

2.3.3.7 Trust

Literature suggests that trust is another important variable which contributes positively towards loyalty (Chaudhuri and Holbrook, 2001; Aydin *et al.*, 2005; Sirdeshmukh *et al.*, 2002). Brand trust has been defined as “the willingness of the average consumer to rely on the ability of the brand to perform its stated function” (Chaudhuri and Holbrook, 2001).

Brand trust is said not only to lead towards loyalty, but also indirectly contribute to market share (Chaudhuri and Holbrook, 2001). Furthermore, trust also helps in building relationships between the company and the customers (Shemwell *et al.*, 1994; Bejou *et al.*, 1998). Trust directly affects repurchase intentions, and negatively affects perceived risk (Shemwell *et al.*, 1994).

Trust is considered to be a well thought out process which is carefully considered (Chaudhuri and Holbrook, 2001). Trust can be developed by companies who meet the promised performance (Bejou and Palmer, 1998). Other factors such as recommendation (WOM), and media reports help to build the trust (Bejou and Palmer, 1998). Finally it has been stated in loyalty literature that companies should not focus totally on trust, since trust alone cannot affect loyalty development (Hart and Johnson 1999; Sirdeshmukh *et al.*, 2002).

2.3.3.8 Customization and personalization

Research reveals that customers prefer customized / personalized services (e.g., Bettencourt and Gwinner, 1996; Bitner, Booms, and Tetrault, 1990; Mattila and Enz,

2002). Personalizing the service process is beneficial because it lowers resistance to higher prices, and makes the customer feel important, and hence reduces the negative effects of service failures (Mattila, 2001b). Lee and Cunningham state that service customization is a viable strategy for companies to follow (Lee and Cunningham, 2001). Customization is important for the development of loyalty among customers (Shoemaker and Lewis, 1999; Javalgi and Moberg, 1997).

2.3.3.9 Convenience

Convenience is also found to have a positive effect on loyalty (Seiders *et al.*, 2005). Geographical proximity (or a convenient location) is said to have a significant influence on loyalty (Lee and Cunningham, 2001). However, researchers suggest that convenience on its own is not enough to build loyalty. It needs to be accompanied by other variables such as customer satisfaction (Seiders *et al.*, 2005) and high switching costs (Lee and Cunningham, 2001).

2.3.4. Other factors that affect loyalty

2.3.4.1 Strategic management focus

Research has also identified the importance of senior management focus and support in building loyalty (Clarke and Payne, 1993; Ennew and Binks, 1996). Reichheld and Kenny are some of the researchers who believe that both senior management commitment, as well as customer focused cultures are important for companies (Reichheld and Kenny, 1990). More research by Reichheld adds the importance of having “leaders who are dedicated to treating people right [and] drive themselves to deliver superior value to customers” (Reichheld, 2001).

2.3.4.2 Technology

Technology is an important tool which companies can use to improve the quality of their services, and may lead to the development of loyalty (Lee *et al.*, 2003). Lee *et al.* conducted research which looked at the role of technology for hotels. Their research suggests that technology is used to improve service offerings, and improve value to customers. Moreover, they believe that technology is not there to take the place of employees, rather to support them (Lee *et al.*, 2003).

Information Technology (IT) can help companies by allowing them to develop customized solutions for customers. Moreover, it helps in the distribution of information, as well as in gathering information about customers. This helps companies to target their communications and to customize services in ways that were not possible in the past.

Their study focused on managers of hotel chains. In their study, it was found that 90% agree that technology improves operational efficiency and marketing. Moreover, more than 70% believe that technology improves both quality, and helps to build the image of the hotel. One of the most important findings suggests that technology improves loyalty (Lee *et al.*, 2003).

2.3.4.3 Service recovery

According to researchers, failure is part of every service (Hart *et al.*, 1990). No matter how hard a company tries, mistakes are inevitable (Mattila and Patterson, 2004).

Service failure may lead customers to become dissatisfied with a firm. Customer reaction to dissatisfaction varies from customer to customer (Bearden and Teel, 1983). It has been argued that most customers will not take action, nor will they inform the company about the episode of poor service.

However, one of the major goals of “defensive marketing is to manage customer dissatisfaction in such a manner that its negative and harmful effects on the firm are minimized” (Fornell and Briger, 1987). Service recovery helps companies to save face, by rectifying the problems that have occurred in the failed service. It has also been thought by some to be an important factor in building loyalty (Mattila, 2001b).

Service recovery is important because a dissatisfied customer may switch companies, or he/she may indulge in negative word-of-mouth activities. On the other hand, good service recovery may convert negative feelings of the customer to positive. Proper service recovery can build strong positive attitudes (Hart *et al.*, 1990; Bejou and Palmer, 1998), turn dissatisfied customers into loyal ones, and may “create more goodwill than if things had gone smoothly in the first place” (Hart *et al.*, 1990). It has also been stated that the “relationship between satisfaction and loyalty is moderated by the type of failure recovery effort in service settings” (Bennett and Rundle-Thiele, 2004).

Not all of the customers in a company will complain when they receive poor quality services (Fornell and Briger, 1987). Some will leave the company without saying a word, while others may stick around for a while, but carry bad feelings in their hearts towards the company. Interestingly, it was found that those customers who complained

exhibited higher levels of loyalty than those who did not complain (Fornell and Briger, 1987). Complaining is important for companies because it provides feedback to organizations (Rundle-Thiele, 2005). Fornell and Wernerfelt believe complaints should be taken seriously, and should be encouraged. Proper complaint handling can help companies to build loyalty among customers. More recent research indicates that companies need to develop strategies to cope with cultural factors, since it has been found that culture plays a part in the customers' perception of service recovery efforts (Mattila and Patterson, 2004).

2.3.4.4 Type of business

The type of business of a company could affect the loyalty its customers have towards it. For instance, in a study by Shemwell *et al.* it was discovered that “the average consumer is much less trusting of and affectively committed to their mechanic than they are of their doctor or hairstylist” (Shemwell *et al.*, 1994). Moreover, it was also found that customers seemed to be more emotionally committed to a hairstylist and physician than to an auto mechanic (Shemwell *et al.*, 1994). This study suggests that there may be industries where customers are more prone to becoming loyal.

2.3.4.5 Importance of demographics

Several demographic variables have been suggested by loyalty, which affect loyalty differently. Caruana found that education, and to a certain degree age, have an effect on service loyalty for banking customers (Caruana, 2002). Age also affects the perceptions of quality among grocery shoppers. Older shoppers do not prefer a bigger selection of delis as compared to younger shoppers (Bellizzi and Bristol, 2004). Age seems to have

a positive effect on loyalty. The number of recommendations are said to increase with age (Gremler and Brown, 1999). Furthermore, older shoppers claim to be more loyal, and use loyalty cards more frequently (Bellizzi and Bristol, 2004).

Besides age, gender also seems to have an effect on loyalty. Although, Gremler and Brown did not find any major variations in terms of recommendations within different genders, other researchers have found discrepancies. Women are believed to place a higher degree of importance on trust and commitment (Shemwell *et al.*, 1994). Female customers are more likely to become emotionally attached to a service provider, as opposed to male customers.

Finally, research conducted by Atilgan *et al.* (2003) on tourists from two different countries found culture to play a significant role. Culture is said to affect the perceived quality of services (Atilgan *et al.*, 2003). Moreover, different cultural groups are said to vary in significance in their perception of satisfaction and dissatisfaction. Similarly, Mattila and Patterson (2004) found that culture plays an important role in a consumers' perception of the service recovery efforts carried out by firms. In their research, Mattila and Patterson studied the difference between American and East Asian (Malaysia and Thailand) consumers. They found that consumers do perceive service recovery efforts differently. For example, where the American consumers were happy with compensation, those from East Asia were not. Hence, they have suggested that companies need to understand the cultural differences, so that they can develop more targeted strategies to improve service recovery and loyalty strategies (Mattila and Patterson, 2004).

2.3.4.6 Developing loyalty at different levels

It has been observed that not all customers should be targeted with similar types of tactics to build loyalty. Yoon and Kim (2000) found that there were differences in the tactics that companies should use to lure various types of customers to repurchase. Customers who exhibit no loyalty make their decision solely on the basis of a company's credibility (Yoon and Kim, 2000). Spurious loyal customers make their decisions on the basis of an employee's attitude and favourable recommendations. The loyal customers make their decision on the basis of employee attitudes, company credibility and corporate image (Yoon and Kim, 2000).

Research suggests a number of factors that can help build loyalty. A number of other variables have been found to play a mediating role on loyalty. However, it is evident from research that no single factor or variable on its own can build loyalty. A number, or all, of these factors are needed to build loyalty. Furthermore, it has been observed that different strengths or levels of loyalty will require different factors. Hence, it is imperative not to think of these antecedents as solutions to a problem, but to think of them as tools, of which many must be used to build that wonderful phenomenon called loyalty.

2.3.5. Relationship management

The goal of relationship management (also referred to as relationship marketing and customer development) is to try to retain those customers who are profitable (Mattila, 2001b; Liljander, 2000; Christopher *et al.*, 1991; Blois, 1998), by building and

maintaining long-term and on-going successful relationships with them (Kandampully, 1998; Knox, 1998; Morgan and Hunt, 1994; Blois, 1998).

Relationship management is considered to be vital for an organization's survival (Kandampully, 1998; Gronroos, 1991; Patterson *et al.*, 1997; Gronroos, 1990; Peters, 1988). It helps in delivering superior profits (Knox, 1998) and also helps in failed service incidents (Mattila, 2001b). Customers who have developed a relationship with a company will tend to spend more, eventually leading to profitability (Seiders *et al.*, 2005). Not only is developing relationships important for business-to-customer situations, but it is also so for business-to-business relationships (Hoisington and Naumann, 2003).

From the customers' perspective, they too expect to receive certain benefits from developing relationships with organizations. Mattila says that these expected benefits include: relational benefits (psychological, social, economic, and knowledge bonds), personal recognition, and friendship with the employees (Mattila, 2001b). Customers also rely on using the relationship as means for making a purchase decision in those cases where quality is difficult to assess (Butcher *et al.*, 2001).

A strong bond, or a relationship with the service provider "can create social and financial switching barriers that provide firms with an advantage insulated from competitor actions" (Seiders *et al.*, 2005). Friendships developed as a result of developing relations with the customer can "insulate the store from the effects of decreasing satisfaction" (Magi, 2003). Although friendship cannot influence the

individual service encounter satisfaction, it does have a direct effect on customer loyalty (Butcher *et al.*, 2001).

Another aspect of relationship management is Customer Relationship Management (CRM). CRM provides companies with the *how to* aspects of relationship management. It focuses on four key aspects. According to Yim *et al.*, the four key pillars of CRM are: “focusing on key customers, organizing around CRM, managing knowledge” and “incorporating CRM-based technology” (Yim *et al.*, 2004). All four of these need to be achieved for a company to establish “superior customer relationships” (Yim *et al.*, 2004). While relationship management or marketing looks at the overall picture, CRM may focus on the technical sides of relationship building and management. For instance, one aspect of CRM is database management, which helps managers to develop customized solutions and personalized promotions. These in turn will help in targeting specific customers with which to build long-term relationships (Butcher *et al.*, 2001).

2.3.5.1 When not to have a relationship

In an article published in the *Journal of Business and Industrial Marketing*, Keith Blois looks at the need for firms to develop relationships (Blois, 1998). Looking at examples of two companies, it was discovered that not all firms need, or should develop relationships. Blois looked at two companies, an intermediary company that deals with chips (electronic), and a bank. The intermediary company did not have any relationships because of the nature of its business. It makes its profit from the need of the buyer and the weaknesses of the suppliers. “It behaves opportunistically in the sense that it charges a price which reflects the urgency of the customer’s need while having bought at a price

which reflects the supplier's desire to offload unwanted stock" (Blois, 1998). They are able to treat customers in this manner because customers turn to them as a last resort, when they are unable to get their supplies from the regular supplier (Blois, 1998). It appears from the study that this method is working very well for this intermediary company. Thus, it can be concluded that "there are no easy solutions to the question as to what type of relationship a supplier should seek to develop with its customers" (Blois, 1998); it depends upon the company, its strategic goals and objectives, and numerous other factors.

2.3.5.2 Longevity of relationship

Researchers have also explored the link between the longevity of the relationship with loyalty. Some have found the longer the duration of a relationship is, the more profitable it will be for a firm (Reichheld and Sasser, 1990; Ganesh *et al.*, 2000). Some believe that that longevity of the relationship is a better measure of loyalty and satisfaction (Loveman, 1998). Whereas others have found no such links (Reinartz and Kumar, 2002).

Reichheld and Sasser discovered that net sales per customer continue to increase, even into the nineteenth year in the relationship (Reichheld and Sasser, 1990). Moreover, Ganesh *et al.* found that with each additional year the customer actually becomes less costly to serve (Ganesh *et al.*, 2000). On the other side of the argument, Reinartz and Kumar state that, "there's a sizable body of academic research documenting the often poor profitability of long-standing customers in business-to-business industries. These customers, who almost invariably do business in high volumes, know their value to the

company and often exploit it to get premium service or price discounts” (Reinartz and Kumar, 2002).

Customers, whether individual or business try to find the best price value. For instance, customers who switch from telephone shopping to a website, will seek lower prices (Reinartz and Kumar, 2002). Hence, despite the fact that a company may be saving more money by not selling over the phone, they may have to reduce their prices, offsetting the savings made. However, on a positive note, they claim that there will be some industries where customers are cheaper to serve and lead to greater profitability over time (Reinartz and Kumar, 2002).

In those circumstances where longevity leads to profitability, and loyalty, it is said that longer relationships help to increase knowledge and experience of a customer (Homburg *et al.*, 2006). Moreover, balances of the customer seem to grow over time, along with decreasing “amortized cost of account acquisition” (Reichheld and Kenny, 1990). Maintenance costs of a customer are, to a certain degree, fixed. Moreover, customers over time will likely increase the scope of their relationship by purchasing more, and a greater variety (Reichheld and Kenny, 1990). Furthermore, longer term customers are more likely to recommend the company to others (Reichheld and Kenny, 1990).

The length of the relationship is said to have a positive effect in cases where service failures have occurred. In such cases, the length of the relationship helps to build trust and commitment, which reduces the bad effects of service failures (Bejou and Palmer, 1998). Other benefits of length of the relationship include savings in acquisition costs,

and savings of costs in general (Edvardsson *et al.*, 2000). In a relationship, most costs are said to be “front-loaded”, or they occur early on in a relationship (Edvardsson *et al.*, 2000). Edvardsson *et al.* (2000), also identified several profit earning activities that take place over the course of the relationship, these include:

- **Base revenues.** Over each time period that a customer is satisfied and remains loyal, the firm receives base revenue from that customer.
- **Revenue growth.** Generates increased revenues.
- **Operating costs.** Operating costs related to the purchase-consumption-repurchase cycle should decrease.
- **Customer referrals or word-of-mouth.**
- **Price premiums.** Satisfied, loyal customers are more likely to be in a habitual or repeat purchase mode of behaviour as opposed to a mercenary, problem-solving mode.

Griffin, agrees with the notion that “the longer a customer remains loyal, the more profit a business can reap from that single customer” (Griffin, 1995). Finally, it has been noted that long-term relationships do not guarantee increased profitability, other factors have to be considered along with longevity (Storbacka *et al.*, 1994).

2.3.6. Loyalty in the business-to-business context

Research that has focused on loyalty in the business-to-business (B2B) sector tends to produce similar findings to those produced by the consumer loyalty segments. Perhaps this is because customer development and loyalty is an important factor for all types of

markets, including the B2B market (Knox, 1998). Several research papers looked at the business-to-business sector (see Table 2.5). Their results are summarized in the following section.

Reinartz and Kumar found that “corporate service providers produced similar” results (Reinartz and Kumar, 2002). In their study they compared various types of companies, including: a corporate service provider, a mail-order company, a retail food business, and a brokerage house.

Author(s), Year	Method	Focus
Ennew & Binks, 1996	6101 questionnaires in the UK.	Small business customers of banks
Patterson et al, 1997	Exploratory study, qualitative interviews with 4 consultancy companies & 8 clients. Then qualitative (longitudinal), questionnaire of 128 client organizations	Consultancy companies
Blois, 1998	Case Study	Intermediary company between chip makers
Khitabi et al, 2002	150 questionnaires of business users in Malaysia	Telecom services
Reinartz and Kumar, 2002	16,000 individual and corporate members over 4 years.	Corporate service provider, mail-order company, retail food business, brokerage house
Bennett & Rundly-Thiele, 2004	267 mail survey questionnaires in Australia.	Purchasing telephone directory advertising
Liu, 2006	Qualitative interviews with 11 industry managers and 206 business buyers.	Financial staffing

Table 2.5: Business to business research on loyalty

Khatibi *et al.* looked at the relationship between service quality, customers' satisfaction and loyalty. They found that high levels of satisfaction will not result in loyalty (Khatibi *et al.*, 2002). However, high levels of service quality will result in customer loyalty. Finally, it was discovered that for a business-to-business context, developing an ongoing relationship is of utmost importance (Patterson *et al.*, 1997).

2.4. Behavioural dimensions of loyalty

Numerous researchers have looked at loyalty as a dimension of customer behaviour (Aydin *et al.*, 2005; Edvardsson *et al.*, 2000; Liu, 2006; Loveman, 1998). These researchers believe that the actual behaviour of a customer is the best way to look at consumer loyalty. Customer behaviour is measured through purchases, repeat buying, satisfaction, and length of time spent with a firm.

Researchers have pointed out that behavioural loyalty is an important dimension, “but is not [a] sufficient antecedent of true loyalty” (Baloglu, 2002). Jacoby and Kryner were one of the first to point out that behavioural dimensions, on their own, are not adequate to measure loyalty (Jacoby and Kryner, 1973). They state that: “simple repeat purchasing behavior and brand loyalty are one and the same, the results obtained overwhelmingly support the hypothesis that their underlying dynamics are different” (Jacoby and Kryner, 1973).

Dick and Basu also believe that behavioural definitions are not sufficient to explain why loyalty is developed (Dick and Basu, 1994). Similarly, it is believed that true loyalty, or as some models suggest, apostles, cannot be explained through actions (behaviours) alone (Reinartz and Kumar, 2002). Other researchers have been more critical of behavioural loyalty. Reichheld suggests, speaking about customer satisfaction, that it is “merely the best of a mediocre lot” (Reichheld, 2003). However, most of the researchers agree that behavioural dimensions on their own are not adequate to measure or to explain true loyalty, other factors have to be considered (Rundle-Thiele, 2005).

Author(s), Year	Method	Focus
Hallowell, 1996	12,000 retail-banking customers, questionnaire survey	Retail Bank
Aydin <i>et al.</i> , 2005	1662 respondents in Turkey, through questionnaire	Mobile Phone Market
Rust & Zahorik, 1993	Model looking at customer satisfaction and retention. 100 banking customers, telephone interview. Asking if switch and why.	Banks
Reichheld & Kenny, 1990	Based on research at Bain & Co. Article focused on retail banks	Retail Banks
Sharp, B., Sharp, A., 1997	745 households in Australia. Based around loyalty programme.	Misc
Edvardsson <i>et al.</i> , 2000	Data analysis from Swedish Customer Satisfaction Index. 200-250 customers of 130 companies (26,000 - 32,500)	Misc
Lee <i>et al.</i> , 2003	30 questionnaires, with open and closed ended questions to sales and marketing managers.	Hotels
Yim <i>et al.</i> , 2004	215 general managers of service firms in Hong Kong. Survey questionnaire	Misc. Service Firms
Mulhern & Duffy, 2004	Case study	Gift store
Fornell & Wernerfelt, 1987	Mathematical model development.	Na
Bhattacharya, 1997	Data from IRI's Marketing Fact book 1988. 35,000 households.	372 brands in 34 misc. categories
Loveman, 1998	45,000 responses of a Regional Bank. Mail response survey.	Retail Bank
Magi, 2003	681 households in Sweden. Diary keeping followed by questionnaire.	Grocery store

Liu, 2006	Qualitative interviews with 11 industry managers and business buyers. 206 business buyers.	B2B - Financial staffing
Wong & Kanji, 2001	450 questionnaires, in Hong Kong.	Retail Banking

Table 2.6: Behavioural loyalty research

2.4.1. Attitudes and loyalty

In addition to behavioural dimensions, it is argued that the attitudes must also be taken into account (Dick and Basu, 1994). Much research has been done that takes into account both of these factors. Attitudinal loyalty dimensions include factors such as the intention to repurchase, positive word-of-mouth, as well as commitment (Rundle-Thiele, 2005). Measuring both the behavioural and loyalty dimensions offer the manager more insights into customer loyalty (Bandyopadhyay and Martell, 2007). It is easier for managers to find out why customers purchase their brand, as well as to help them in identifying the strengths and weaknesses of their company.

Attitudes measure emotional and psychological attachment that a customer may develop towards a service provider (Bowen and Chen, 2001). Attitudes have been divided into three major categories: the cognitive, affective and conative dimensions (Dick and Basu, 1994). Cognitive antecedents of attitudinal loyalty include the beliefs that a customer has about a particular brand. Affective components are linked with strong feelings to a brand, and the conative aspects include the behavioural dimensions (Dick and Basu, 1994).

Looking at both of the dimensions is important because of the high level of results that they produce. Reinartz and Kumar (2002) found that those customers who exhibited high levels in both attitudinal and behavioural dimensions were 54% more likely to recommend the company to others, and generated 120% higher profit as compared to those customers whose loyalty was measured through behaviours only (Reinartz and Kumar, 2002). Hence, it can be concluded that attitudinal and behavioural dimensions result in “true customer loyalty” (Palmer *et al.*, 2000).

Dick and Basu (1994) looked at factors that constitute these dimensions. The cognitive antecedents comprise: accessibility, confidence, centrality, and clarity. Accessibility is considered to be the “ease with which an attitude can be retrieved from memory” (Dick and Basu, 1994). Confidence is considered to be the “level of certainty associated with an attitude” (Dick and Basu, 1994). Centrality is defined as the “degree to which an attitude toward a brand is related to the value system of an individual” (Dick and Basu, 1994). Finally, an attitude is clear and well defined, “when an individual finds alternative attitudes toward the target objectionable and is undefined when many alternative positions are acceptable” (Dick and Basu, 1994).

Affective antecedents comprise emotions, moods, primary affect, and satisfaction. Out of these factors, emotions are thought to be the best predictor of actual behaviour. “Emotions are associated with intense states of arousal, they lead to focused attention on specific targets” (Dick and Basu, 1994). Moods on the other hand are less intense and less permanent. Primary affect can be stimulated in consumers when firms bring about a

preferred sensory experience. For example, the use of a certain type of music, an aroma, or visuals that the customer can relate to.

The conative antecedents include: switching costs, sunk costs, and future expectations of offering. Other factors that may affect a customer's loyalty are social norms and situational factors. Social norms are related to a customer's need to fit into a community.

Dick and Basu developed a model for looking at loyalty on the basis of relative attitudes and repeat patronage. Instead of looking at attitudes, they examined relative attitudes, that is, the attitude of a consumer towards brands that would be relevant in a particular consumption situation (Dick and Basu, 1994). It is hypothesized that stronger relative attitudes will help the customer to resist social norms and situational contingencies.

		Repeat Patronage	
		High	Low
Relative Attitude	High	Loyalty	Latent Loyalty
	Low	Spurious Loyalty	No Loyalty

Figure 2.7: Relative attitude-behaviour relationship (Dick and Basu, 1994)

In this model spurious loyalty has been defined as one where the customer believes that there are few differences between brands, and repeat purchasing occurs due to situational circumstances. Latent loyalty is one where the “non-attitudinal influences such as subjective norms and situational effects are at least equally if not more influential than attitudes in determining patronage behavior” (Dick and Basu, 1994). “Loyalty” is associated with high attitude and as well as high repeat patronage.

Baloglu (2002) developed a model which is based on Dick and Basu’s model. Baloglu proposes that attitudinal measures of loyalty are made up of trust, emotional attachment, and switching costs (Baloglu, 2002). Behavioural measures include factors such as recommendations and cooperation. In this model, spurious loyalty is explained by factors such as habitual buying, convenience, individual customer’s situation and lack of alternatives (Baloglu, 2002). Two other differences in this model are that a customer with high attitudes and behaviour is called “true” loyal, whereas a customer on the opposite end of the spectrum is said to exhibit “low loyalty”.

		Attitude	
		Low	High
Behaviour	High	Spurious Loyalty	True Loyalty
	Low	Low Loyalty	Latent Loyalty

Figure 2.8: Knox’s loyalty model (Knox, 1998)

Knox is another researcher who believes that loyalty is a function of retention (behaviour) and attitudes (Knox, 1998). Loyalty is segmented on the basis of a customer's purchasing portfolio, involvement and share of the spending. Customers that have a high purchasing portfolio will purchase from many different suppliers. Customers who are involved with a company will tend to have more positive attitudes about it. Share of spending is related to the percentage of sales a customer makes with a particular firm, in relation to the total amount being spent on a particular product category.

Loyals and habituals are classified as the most profitable customers because they "exhibit behavioral loyalty" (Knox, 1998). These customers purchase from a small portfolio of companies and will do most of their spending with the main company. Loyals are the best type of customers a company can have. They have a strong attachment to the company, and may switch only on a temporary basis.

On the opposite end of the matrix are the variety seekers and switchers. These customers don't spend much with a company, and will purchase from a large variety of sources. Variety seekers, as is evident from the name, will actively search for other companies. Switchers act on an opportunistic basis, and present the lowest value for the firm (Knox, 1998). They are interested in the best price deal and the highest discount possible.

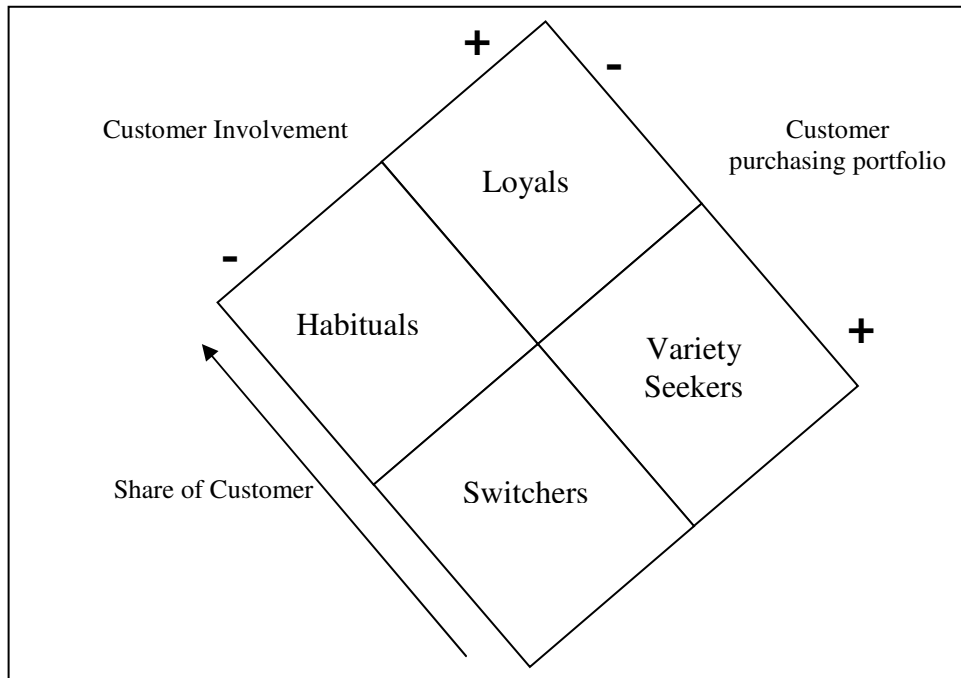


Figure 2.9: Diamond of Loyalty © customer purchasing styles (Knox, 1998)

Examining attitudes alone is not considered to be a good measure of loyalty. Furthermore, a positive attitude does not always lead to repeat patronage (Ennew and Binks, 1996). In research conducted on customers of wine in Australia, Rundle-Thiele found that despite having high levels of positive attitudes, customers were considering switching brands (Rundle-Thiele, 2005).

Author(s), Year	Method	Focus
Curasi & Kennedy, 2002	28 Semi-structured interviews, of loyal customers.	Services
Salgaonkar & Mekoth, 2004	Stage 1: Exploratory study of 55 patients. Study 2: 194 Questionnaires of patients in a clinic.	Health Care
Caruana, 2002	194 postal surveys in Malta.	Banking
Mittal & Lassar, 1998	Questionnaire. 110 car repair and 123 health care customers.	Healthcare & Car repair
McMullan, 2005	1017 ferry passengers in the UK, postal questionnaire.	Ferry Passengers
Ennew & Binks, 1996	6101 questionnaires in the UK.	B2B- Small Business customers of Banks
Dick & Basu, 1994	Theoretical Model Development	N/A
Bandyopadhyay & Martell, 2007	1096 respondents to a questionnaire survey.	Toothpaste
Rundle-Thiele, 2004	726 questionnaires, through mail.	Wine Retail Industry
Bowen & Chen, 2001	Focus group (numbers unknown). Followed by mail questionnaire survey, 546	Hotel
Reinartz and Kumar, 2002	16,000 individual and corporate members over 4 years.	Corporate service provider, a mail-order company, a retail food business, a brokerage house
Jacoby & Kryner, 1973	80 6-9 year olds, experiment	Candy Bars
Srinivasan et al, 2002	1,211 online questionnaires, survey.	E-Retailers
Lin & Wang, 2006	255 questionnaire survey respondents in Taiwan	M-Commerce
Anderson & Srinivasan, 2003	1211 respondents to an online questionnaire survey	E-Retailers
Palmer, Mc-Mahon-Beattie & Beggs, 2000	Model development, sample of 12 hotels tried to develop loyalty. Questionnaire, telephone interview, mystery shopper	Hotels

Storbacka, K, Strandvik, T, & Gronroos, C., 1994	Model development. Focused on retail banking	Retail Banks
Gronholdt et al, 2000	9000 customers from Danish customer satisfaction, part of ECSI (telephone interviews)	Misc. Service Firms
Yoon & Kim, 2000	Face-to-face interviews, questionnaires, 1206 car owners in Korea.	Automobile makers
Gremler & Brown, 1999	Self administered questionnaires (Exploratory). 849 banking, and 279 dental customers	Banks and Dental Firms
Yim & Kannan, 1999	Mathematical model development.	Crackers
Ganesh <i>et al.</i> , 2000	Study 1: Telephone interviews or 200 persons. Study 2: Telephone interviews of 494 people in the US.	Retail Banking

Table 2.7: Selected papers on behavioural and attitudinal loyalty

2.4.2. Emotional dimensions of loyalty

Research has argued that true loyalty, or the highest level of loyalty can only be developed if a firm can build emotional connections, in addition to positive attitudes and behaviours (Reinartz and Kumar, 2002; Shoemaker and Bowen, 2003; Mattila, 2001a). Berry and Carbone (2007) argue that “great organizations establish strong emotional connections with their customer”. For instance, it was found that for casino customers’ true loyalty consisted of emotional commitment and trust. The importance of emotional components in building loyalty is even more important for service firms (Oliver, 1999; Mattila, 2001b; Fournier, 1998).

“Consumers do not choose brands, they choose lives” (Fournier, 1998). The type of a life that a customer is looking for can only be built if the company can establish an

emotional connection with the customer. Emotional loyalty (also called attachment or commitment) has been defined by Baloglu as: “liking the partner, enjoying the partnership, and having a sense of belonging to the partnership, and having a sense of belonging to the company” (Baloglu, 2002). Emotional loyalty goes beyond attachment to a company and includes the company’s employees, its products or services and brands (Gould, 1998).

This definition of loyalty is much different from the other definitions discussed earlier because of the affective component. It seems to be a more humanized approach to loyalty. In order to achieve the best results, a company needs to win over a customer’s heart as well as the mind (Duboff and Sherer, 1997). In fact emotions are said to be a better measure of true loyalty than the other types (Dick and Basu, 1994). Moreover, there seems to be a higher correlation between overall customer loyalty and emotional components than the cognitive components (Yu and Dean, 2001).

A shift in marketing research from “relational to emotional decision making process” of customers has been observed (Oh and Shin, 2004). This is primarily due to the importance of emotional loyalty which has been the focus of numerous studies. For example, Mattila found that for restaurant customers, the development of strong emotional ties resulted in greater commitment than any loyalty programme (Mattila, 2001a). Shoemaker and Lewis (1999) discovered that this type of loyalty makes customers more resistant to switching. It also helps to reduce the perception of risk and increases the repurchase intentions of customers (Shemwell *et al.*, 1994; Mattila, 2001b). Heskett agrees with these notions adding, the benefits of this “apostle-like behavior, and

ownership among customers is so great that it often outweighs the potential costs” (Heskett, 2002). Furthermore, it has been noted that affective factors are more important in those cases where the customer makes decisions on little or inconsistent information (Homburg *et al.*, 2006).

2.4.2.1 Benefits of emotional loyalty

Emotional loyalty is found to have numerous benefits for companies. These benefits are explained in the following section.

It has been found that emotional loyalty leads customers to purchase additional products, and spend more money with the company (Wong, 2004; Baloglu, 2002). Customers from different service industries (healthcare, automotive service, and hairstylists) who have strong emotional attachments indicate their willingness to continue their relationship with the firm (Shemwell *et al.*, 1994). Emotional attachment leads customers to not only purchase repeatedly from a service provider, but also to purchase exclusively from that particular service provider (Butz & Goodstein, 1996; Kandampully, 1998).

These customers also tend to devote a higher share of their wallet to their preferred company (Barnes, 2003; Butz & Goodstein, 1996; Kandampully, 1998). Research also indicates that customers that exhibit high levels of emotional attachment benefit the company financially. These financial returns are evident in the form of a higher market share and relative price (Chaudhuri and Holbrook, 2001).

Emotionally attached customers not only spend more, and purchase a larger variety of services, they are said to accept higher prices (Mattila, 2001a). Customers who are emotionally attached are willing to pay premium prices as compared to those who are loyal only in the cognitive sense (Yu and Dean, 2001).

Research has also found that emotionally loyal customers are more likely to generate positive recommendations than customers in other forms of loyalty (Mattila, 2001a). These customers will then have longer relationships with the company, and are more vocal than customers who are loyal only in the cognitive sense (Shoemaker and Bowen, 2003; Yu and Dean, 2001; Barnes, 2003).

Emotional loyalty leads customers to believe that no other company can satisfy their needs better (Palmer *et al.*, 2000). This results in customers not searching for alternatives (Baloglu, 2002; Shoemaker and Bowen, 2003). Customers who are emotionally loyal also resist pressures to switch to competitors (Mattila, 2001a; Yu and Dean, 2001).

Emotionally attached customers are also more likely to cooperate with a firm (Baloglu, 2002). These customers are also vocal when it comes to pointing out service failures (Kandampully, 1998). This is an important factor since it helps companies identify weaknesses. Truly loyal customers are also more forgiving of service failures (Mattila, 2001a). Finally, one of the most important benefits of emotional loyalty is its difficulty to copy (Palmer *et al.*, 2000), hence giving companies a strategic advantage over competition.

2.4.2.2 Emotionally strong relationships

Emotional commitment or affective commitment need to focus on building strong relationships with customers (Shoemaker and Bowen, 2003). Relationships as a whole, are considered to be a result of emotional constructs (Barnes, 2003). Meaning, those companies will succeed that can build emotionally strong relationships with their customers. The relationships are made up of a number of constructs that lead a customer to become attached to a company. In certain cases the emotional attachment in a relationship is said to be similar to the one that customers feel towards friends or family (Barnes, 2003). For instance, Thomson found that customers begin to think of human brands as pleasant companions, “good friends, or romantic mates” (Thomson, 2006). This positive aspect of emotional bonding leads customers to think of the service providers in a possessive manner (Barnes, 2003). Customers may refer to the service provider as “my mechanic”, “my masseur” or “my tailor.” In an emotionally strong relationship, customers may come to a stage where they feel that they “cannot live without them (the service provider)” (Barnes, 2003).

2.4.2.3 Emotional satisfaction

A group of researchers looked at emotions through the eyes of satisfaction, and have researched emotional satisfaction (Yu and Dean, 2001; Wong, 2004; White and Yi, 2005). It has been found that emotional satisfaction is positively associated with loyalty (Wong, 2004). Researchers suggested that emotional satisfaction is a better predictor of loyalty behaviours than cognitive measures (White and Yi, 2005), with strong

correlations being found between emotional satisfaction and loyalty (Yu and Dean, 2001).

Emotional satisfaction is a different way of looking at the equation. Instead of focusing on emotional attachment leading to loyalty, they have focused on the satisfaction components. Although this may be a useful way of looking at loyalty, it may not present a complete picture. Literature suggests that loyalty is made up of numerous factors, where satisfaction is just one of many. Hence, this research will adopt the approach of looking at the equation from the perspective of emotional attachment leading to loyalty, where satisfaction is one of the constructs, but not the only one.

2.4.2.4 How to build emotional attachment

A number of factors have been discovered by research that leads customers to become emotionally attached to a firm. Heskett has developed a loyalty model, where the highest level of loyalty is one where the customer feels that he is not just a part of the company, but is the owner (Heskett, 2002). The idea is to make customers think that they are not only a part of the community, but also can influence a company's strategies, or are owners of the firm (Heskett, 2002). Ownership is a powerful factor which has been successfully used in increasing loyalty among internal customers (employees) of a company.

Communicating with the customer is also found to have made a significant impact in developing emotional attachment. Communication includes all written, oral, and electronic communications, as well as giving the customer appropriate reward/thank you

behaviour (Duboff and Sherer, 1997). Communicating with the customer on an intimate level also lets employees of a firm develop emotional connections, and lets the company find out about and anticipate customers' needs (Kandampully, 1998). It also enables customers to become more familiar with a company's employees, brands, and services (Barnes, 2003). Another important aspect of communication is to provide the customer with accurate, useful, relevant and timely information (Barnes, 2003).

Customers who had strong emotional bonding with a company "indicated that personal recognition, a feeling of familiarity, or having had a memorable experience" has a positive effect on their bonding experience (Mattila, 2001a). Moreover research has indicated that a company that pays special attention to customers (Price *et al.*, 1995), develops trust and commitment (Bejou and Palmer, 1998), and "does more for the customer than anyone else does" (Barnes, 2003) will develop strong emotional bonding.

Human brands that allow customers to achieve autonomy will help in building strong emotional bonds with customers (Thomson, 2006). Other research has indicated that companies that enable customers to achieve what they wish, will result in positive emotional attachments (Barnes, 2003).

Customers who can relate to a company will tend to be more emotionally attached. Companies need to create ways in which customers can relate to them. The ways include things such as a common history, shared values, interests, cultures and beliefs (Barnes, 2003).

An enjoyable experience is considered by researchers to be a good predictor of loyalty (Wong, 2004). The enjoyable experience can be related to various factors of the service interaction, including enjoyable employee customer interaction (Shoemaker and Bowen, 2003). Making customers happy, is not related to loyalty, but does have a significant effect on the evaluation of service quality (Wong, 2004).

2.4.2.5 Emotions

Emotional loyalty depends on a company’s ability to elicit emotional responses from customers. Emotional responses are a result of complex human emotions. These emotions play an integral part in customer satisfaction and behavioural intentions (White and Yi, 2005). Emotions are defined as “mental states of readiness that arise from cognitive appraisals of events or one’s own thoughts” (Bagozzi *et al.*, 1999 in Wong, 2004). Products and services are supposed to have the ability to elicit emotional responses from customers (Chaudhuri, 2001). The following is a list of positive and negative emotions that have been identified in various researches:

Positive Emotions	Negative Emotions
<ul style="list-style-type: none"> • Happy • Elated • Pleased • Warm hearted • Caring • Affectionate • Love • Pleasure • Hopeful • Positively surprised • Delight • Joy 	<ul style="list-style-type: none"> • Sad • Angry • Sorry • Regretful • Depressed • Guilty • Humiliated • Fear • Disappointment

Table 2.8 Positive and negative emotions

Marketing research has relied on psychology literature for guidance in looking at emotions. For instance, it was pointed out in psychology literature that the emotion of delight is made up of joy and surprise (Plutchik, 1980; Kumar *et al.*, 2001). Later Shaver *et al.* found that there were five basic emotions (joy, love, sadness, anger, fear) (Shaver *et al.*, 1987; Chaudhuri, 2001).

Marketing has looked at and classified emotions according to their polarity. According to Price *et al.*, positive emotions consist of being: happy, elated, pleased, warm-hearted, caring, affectionate, loving. Negative emotions include being: sad, sorry, regretful, angry (Price *et al.*, 1995). Other research has just identified those emotions that may be of the greatest utility to marketing. Seven affective emotions were identified: happy, hopeful, positively surprised, angry, depressed, guilty and humiliated (Liljander and Strandvik, 1997). The emotional scale developed by Liljander and Strandvik is one which has been adopted and modified by others (White and Yi, 2005). White and Yi added the emotions of regret and disappointment to that scale.

Chaudhuri developed a model which looked at the relationship between emotions and perceived risks (Chaudhuri, 2001). The model looked at hedonic (pleasure with a service), and utilitarian (usefulness of a service) values. The author went on to develop the following model as a result of the research.

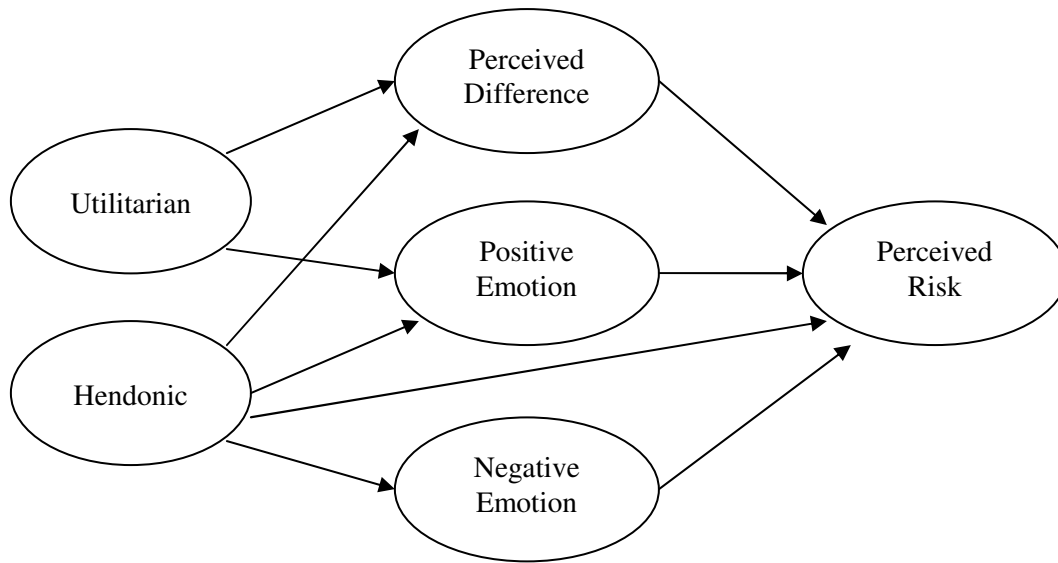


Figure 2.10 A model of emotion and perceived risk (Chaudhuri, 2001)

In this model, the three positive emotions of joy, pleasure and delight were studied. Negative emotions comprised of worry (fear), irritation (anger) and disappointment (sadness) (Chaudhuri, 2001).

Products and services are able to elicit various feelings and emotions. Undesirable feelings are associated with increased perceived risk (Chaudhuri, 2001). It is not necessary that negative emotions will always elicit a negative response from the customer. For instance, research has looked at the positive relationship between sadness and blood donations (Chaudhuri, 2001). Yu and Dean have found that “feelings related to anger loaded more highly with positive emotions than with negative” (Yu and Dean, 2001). Moreover, Bagozzi and Moore discovered that negative emotions can actually lead customers to feel empathy (Bagozzi and Moore, 1994). These negative emotions have been discussed in the context of advertising. It has to be seen what type of a response negative emotions will lead to during a service encounter.

In the relationship context, positive emotions are considered to be the most important. They lead towards loyalty behaviours such as recommendation (WOM), and a willingness to pay more (White and Yi, 2005). Positive emotions also have an inverse relationship with switching behaviour (White and Yi, 2005). It has been argued that customers can tolerate negative emotions to a certain extent (Liljander and Strandvik, 1997).

Emotions can be experienced by customers from the start of the transaction until the end. These emotions can be affected by past experiences, and can be on an episode level, or on a relationship level (Liljander and Strandvik, 1997).

2.4.2.6 Employees

The importance of employees has been discussed earlier. However, in terms of emotional attachment, employees play an even more important role. First companies can use them to create a positive image in the eyes of its customers (Barnes, 2003). Customers who have a strong emotional attachment toward employees will have a stronger overall relationship with the firm, and will tend to be more loyal (Liljander and Strandvik, 1995; Wong, 2004). In light of these facts employees become even more important for service firms, because of the central role they play in developing emotional attachment.

2.4.2.7 Love

Love has been listed as a positive emotion. However, it may be considered more important than the other emotions. It is important because love makes a company part of a consumer's family, and it creates loyalty "beyond reason" (Roberts, 2004).

Love and passion are considered to be at the heart of a strong brand relationship (Fournier, 1998). Love for a company, its services, or brands has been termed as "object love" (Ahuvia, 1992; Oliver, 1999). The only difference between love in a relationship and love for a company, being that the sensual component does not exist for object love, and instead customers focus on adoration, and unfailing commitment (Oliver, 1999). Unfailing commitment is a result of true affection or love, "as opposed to the attitude form of affect" (Oliver, 1999).

A customer will fall in "love" under a number of circumstances. The service offering has to be unique, and unlike that being offered by competitors. If there are other services that offer near identical offerings, loyalty is not likely to develop (Dowling and Uncles, 1997; Oliver, 1999). Companies must also love their customers. To do this they need to love the markets in which they operate and learn to respect the customers (Roberts, 2004). Companies need to design their services to leave space for the love factor, which consists of "empathy, compassion, emotions, involvement, sense of humor, tacit knowledge and intuition" (Gummesson, 1991).

2.4.2.8 *Delight*

Delight is another emotion which has received much attention from research (Kandampully, 1998; Liljander and Strandvik, 1997; Gould, 1998; Kumar *et al.*, 2001; Mattila, 2001a). Customer loyalty is said to increase dramatically when companies go beyond satisfying their customers and start to delight them (Gould, 1998). Research also indicates that delight has the greatest influence on loyalty as opposed to other emotions (Liljander and Strandvik, 1997).

Delight can be created through providing memorable experiences (Mattila, 2001a), which then leads customers to become loyal (Kandampully, 1998). Surprise has been thought of as an antecedent of delight. However, research has indicated that it is possible to have customer delight without surprise (Kumar *et al.*, 2001). In this case it is important to have a sustained high level of service, which can result in customer delight. Moreover, joy is found to play a central role in delight (Kumar *et al.*, 2001).

2.4.2.9 *Extraordinary experiences*

Good customer experience management in general, (Khan 2009a, 2009b), and extraordinary experiences in particular are something that will make the customer very happy (Arnould and Price, 1993). Extraordinary experiences are reported to have changed the customer forever.

Around and Price (1993) conducted a longitudinal study on the experiences of people who took part in river rafting. The study lasted over two years and involved participant

observation, focused group interviews, surveys and in depth interviews. River rafting has been described as:

A unique recreational form, but its power lies in the romantic cultural scripts that evolve over the course of the experience-the opportunity to participate in rites of intensification and integration and to return to an everyday world “transformed.” Although the form is unique, the cultural script is exceedingly common and increasingly sought (Arnould and Price, 1993).

The study explores the extraordinary experience customers get through river rafting. The findings suggest that it is a complex task which involves the experience, along with the input from the tour guide, and the total journey. Moreover, it is the unknown want or desire that makes it so special. Customers have described this as an “unforgettable, affectively charged experience” (Arnould and Price, 1993). The extraordinary experience of “river rafting provides absorption and integration, personal control, joy and valuing, a spontaneous letting-be of the process, and a newness of perception and process” (Arnould and Price, 1993).

2.4.2.10 *Emotional loyalty and sports*

Sports such as football have been found to have a large percentage of supporters exhibiting high degrees of loyalty (Barajas and Crolley, 2005; Tapp, 2003; Mullin *et al.*, 2000; Hill and Green, 2000). Among football fans, it is considered that season ticket holders, or the highly loyal supporters, are the ones who purchase the most club merchandise as well as non-football items. Moreover, these customers are considered to

be the “most valuable customers” (Tapp, 2003). Studies have shown that for other sports, such as rugby, the same factors apply (Hill and Green, 2000).

There is evidence to support the fact that those sports fans exhibit emotional loyalty. These fans display an “irrational” loyalty, i.e. they will support their team, even if the team loses. “Victory is desirable but not a condition for their support [therefore] fans do not normally change allegiance if their team loses or performs badly” (Barajas and Crolley, 2005). Tapp (2003) adds, “there is evidence that loyalty to one’s sports club straddles logical, emotional and ethical divides of the human psyche”. Hill and Green (2000) agree to these statements. According to them, it is loyalty and a psychological involvement that helps to forecast future attendance among supporters.

2.4.3. Gaps

Loyalty literature has identified numerous gaps. Some of those gaps have since been filled over time. There are however a few gaps that remain to be filled. This final section looks at gaps, identified by and in loyalty research.

Research has called for looking into different product classes, “such as luxury goods, services, and impulse purchases” (Chaudhuri and Holbrook, 2001).

Researchers have felt the need to do research on the “true” type of loyalty. This is the loyalty type which has been called, by various authors, different things, but is considered to be the best type of loyalty. For instance, Curasi and Kennedy call for finding out what “service providers [can] do to foster such strong bonds of customer loyalty”

(Curasi and Kennedy, 2002). Similarly Mattila finds that her study did not expressly examine how restaurant managers can develop “‘true’ loyalty – the kind that builds emotional attachment to the brand” (Mattila, 2001a).

Literature has called for more research in the emotional loyalty area. Liljander and Strandvik say that we need to “understand better which emotional attributes have the most influence on customer behavior” (Liljander and Strandvik, 1997). Price *et al.* called for looking at different types of service characteristics to see which of these elicit emotional responses (Price *et al.*, 1995). White and Yi called for looking at emotions and behaviours from a cultural perspective (White and Yi, 2005).

Variations in loyalty over the course of the relationship need to be studied. For instance, Duboff and Sherer (1997) called for mapping “out a customer life cycle noting where points of churn typically arise and determining the reasons”. Liljander and Strandvik called for further investigation into how emotions are formed in a dynamic perspective (Liljander and Strandvik, 1997). Furthermore, Seiders *et al.* proposed that “we encourage additional research that examines defection to illuminate the differences between customers who defect and those who do not” (Seiders *et al.*, 2005).

Finally, some researchers have called for longitudinal research. Oh and Shin say that “research is needed for longitudinal investigations into how B2C relationships and emotional loyalty develop and evolve over time” (Oh and Shin, 2004). Wong has also suggested that longitudinal research is needed to access actual behaviours of shoppers (Wong, 2004).

Other areas of research that may be of interest would include examining the emotions in more detail to see which of these has the greatest impact on emotional attachment. Another interesting area could be to look at how emotional attachments are built in the business-to-business context in the services industries.

Chapter 3: Research design

3.1. Introduction

The research design part of this thesis will build upon the ideas discussed in the literature review and choose an appropriate methodology and method for continuing the research further. The earlier two chapters looked into the background of loyalty, and through an extensive literature search identified a number of gaps that exist in research. To fill the gaps in research, the first step is to choose an appropriate research methodology. The research methodology forms an important part of the research process (Nachmias and Nachmias, 1996).

This chapter first identifies research objectives. Based on these research objectives a discussion is conducted on research approaches. Research methodologies adopted by previous researchers in this area are also evaluated. The importance of the chosen methodology will be outlined along with its theoretical importance to the discipline. Finally, an appropriate research strategy is adopted and a discussion of how it will enable us to conduct this research is conducted.

3.1.1. Research objectives

One of the most important factors in designing a research study is to develop an appropriate research question (Yin, 1994). Upon examining the literature in detail, a number of important questions and gaps in the literature were identified. It was noted that numerous studies called for research into looking at the factors that help to build emotional loyalty (Mattila, 2001a; Curasi and Kennedy, 2002). Thus far, no research

has tried to look at the reasons behind customers becoming emotionally attached to a firm. Researchers also don't know the differences between emotionally and attitudinally loyal customers. Building loyalty within an organization is also a trivial process. While a number of important strategies are available for managers, no concrete evidence is available to suggest that these will result in the development of loyalty. Therefore for this thesis it makes sense to investigate the phenomenon of emotional loyalty and to see if strategic business orientations have an impact on it. The main purpose of this thesis is thus to propose a model for understanding and managing loyalty based on strategic business orientations and best practices. This can further be divided into objectives which are:

- To find the factors that distinguish emotionally loyal customers from attitudinally loyal customers.
- To explore the factors which explain the development of emotional loyalty towards these companies.
- Find any cultural differences in the way customers exhibit emotional loyalty.
- Explore the role that strategic business orientations have in the development of high levels of loyalty within an organization.
- Identify the critical success factors for organizations who want to develop high levels of loyalty within their organizations.
- Present a model that would help managers and researchers to better understand and manage loyalty in an organization.

Finding out these factors is crucial to the success of a business in the long-term (Reichheld, 1996). If businesses can find out how customers become emotionally loyal, they can then try to implement those practices in their respective businesses. This in turn will help companies to further develop profitable customers into becoming emotionally loyal. The overall result will be a win-win situation for both customers as well as businesses. Since the focus of the study is on the loyalty, which is of concern to practitioners, the study needs to be carried out in such a manner that the results of the study will be applicable across a wide context. The next step is to look at and choose an appropriate research approach to be adopted for the current study. The next section examines differences between two approaches: the qualitative and the quantitative.

3.2. Research strategy

Choosing an appropriate research strategy is considered to be one of the most important factors in research design. However, trying to study the experiences of another person (i.e. emotionally loyalty) is a difficult task, since it asks the researcher to put him/herself in the shoes of another and try to look at the world from a different perspective (Kuhn, 1970). Much research on loyalty has been dominated by the positivist approach, and more specifically by quantitative research methods within the social science framework. This is also true for research within marketing (Peck, 1997). However, qualitative approaches are gaining popularity among researchers studying consumer research questions.

Tull and Hawkings believe that “although creativity and judgment play a major role in this stage of the design process, the decision is partly constrained by the type of information required and the value of that information” (Tull and Hawkings, 1984). Various researchers have talked about different types of strategies, and this depends on how one defines them (Hakim, 2000). Yin (1988) categorized them as: survey, experiment, archival analysis, histories and case studies. These three factors are elaborated in the figure below:

Strategy	Form of research question	Requires control over behavioural events?	Focuses on contemporary events?
Experiment	how, why	Yes	Yes
Survey	who, what, where, how many, how much	No	Yes
Archival analysis	who, what, where, how many, how much	No	Yes/No
History	how, why	No	No
case study	how, why	No	Yes

Table 3.1: Relevant situations for different research strategies (Yin, 1994)

Yin’s criteria can be used to examine alternative research methods in the social sciences. Experiments, surveys, archival analysis, life history, and case studies (Yin, 1989; Gill and Johnson, 2002) are some of the methods which have been discussed in literature. These are assessed in further detail in light of the current study. Yin (1989) has come up

with a set of factors that that assist the researcher in selecting an appropriate research strategy:

1. *The type of research question posed.*
2. *The extent of control an investigator has over actual behavioral events.*
3. *The degree of focus on contemporary as opposed to historical events.*

(Yin, 1994)

The two main approaches that have been narrowed down for this particular research, based on these three criteria are the theory-then-research and the research-then theory approaches. Since the purpose of this research is to develop a model these two approaches seem appropriate. In the theory-then-research approach, the researcher first builds a theoretical model. This model is then tested using empirical data. The testing will then lead to either the model being accepted, or changes in the model being made, or the model being rejected altogether. In contrast, the research-then-theory approach works slightly differently. In this approach, the researcher first explores a particular phenomenon. Important factors are then identified relative to the phenomenon. The researcher can then conduct causal analysis on the elements identified. After a certain set of factors have been identified as being critical, the researcher then finally develops a theoretical model (Nachmias and Nachmias, 1996).

Although both of these approaches seem appropriate, the second of these seems more likely to fit into the current research problem. Since there is much that is unknown about emotional loyalty, it makes sense to conduct an exploratory study first and then

work towards creating a model. The next section will discuss research approaches that can be adopted by researchers.

3.2.1. Survey research

Surveys are the most popular form of research in loyalty marketing, and are usually a quantitative technique. Survey research is a structured method, which usually measures customer responses. They include “cross sectional and longitudinal studies”, which can be conducted through structured interviews or questionnaires (Babbie, 1990; Creswell, 2003). According to Finn *et al.* “survey research involves asking participants direct questions either as part of a face-to-face interview, by telephone interview or by post. The normal survey tool is a series of printed questions in the form of a questionnaire or interview schedule of some sort” (Finn *et al.*, 2002). Surveys are said to be structured because “sampling and questionnaire construction are conducted prior to the start to data collection” (Bryman, 1988). This also helps the survey research to be easily replicated, which makes the checking of the data validity a lot easier than qualitative techniques. The data coming from quantitative survey research is said to be “hard, rigorous, and reliable” (Bryman, 1988). Due to these factors, data resulting from quantitative survey research is considered to be “more persuasive” with decision-makers and managers are more likely to accept the outcomes of this sort of research. Survey research involves:

- Collection of data (invariable, but not exclusively, by self-administration questionnaire, structured or semi-structured interview).
- A given set of units (people or organizations).
- A snapshot at a single moment of time (may be repeated over a given time interval).

- Systematically obtaining quantifiable data on pre-determined variables, which are then analyzed (Bryman, 1989).

There are two types of surveys: descriptive and analytic. Descriptive surveys are useful when a researcher needs to find characteristics associated with a particular population within a particular “moment in time” or over a specified “period of time” (Finn *et al.*, 2002). On the other hand, the analytic survey is one where researchers are trying to find “explanations” for a particular phenomenon. An example of this may be a questionnaire that tries to look at customer satisfaction (Finn *et al.*, 2002).

According to Yin, survey research tries to answer the “who, what, where, how many, and how much” types of questions. They do not require control over behavioural events and focus on contemporary issues. However, survey research does not answer “how” and “why” types of questions.

3.2.2. Experiment based research

Experiments have been used by scientists for natural research; however they are also used in the social sciences, and more frequently in the field of marketing. The most popular use of experiments in the management context is to test out theory. When testing out theory related to purchase behaviour, the survey method elicits only verbal responses from the respondents. These responses are “an approximation of the actual purchase response to be expected under the actual market conditions” (Wasson, 1965). However, Wasson argues that “the purchase decision is a complex one, the vector of a multitude of stimuli – some personal, some external, some strong, many weak”

(Wasson, 1965). Complex decisions cannot be judged by surveys, since they do not represent the actual purchase behaviour. Customers' behaviour may vary in reality as opposed to just talking about it. Experiments offer the best solution to measuring the actual customer purchase behaviour.

Experiments can be of three types: market tests, laboratory techniques and disguised surveys. In a market test, a company tests its products in a particular market prior to launching it on a wide scale. This helps the company to gather data on consumer behaviour and helps it to overcome any shortcomings of the product or the marketing campaign. Laboratory tests can be used to test product ideas prior to the final development of the product. Prototypes of the products are used and tested. These tests can be carried out by researchers and/or prospective customers. For instance, two popular tests of this type are "consumer jury tests of taste" and "laboratory tests of packaging" (Wasson, 1965). Finally, experiments can be done, disguised as surveys. For instance, if a company believes that the respondents will not give their actual responses, and would be influenced by the opinion of others.

Experiments require a closed system (Blaikie, 1993) which is supposed to be "free from contextual factors" (Peck, 1997). They also require the "careful provision for controlled observation and adequate cognizance of the requirements of good experimental design" (Wasson, 1965). Furthermore, experiments require a hypothetical model, which the experiment needs to test. "Experimental designs cannot be constructed until it is known what factors are significant" (Wasson, 1965).

3.2.3. Life history research

Histories deal with past subjects, factors or situations that have already occurred. Histories try to examine “closed incidents” which are taken independent of the broader contexts (Yin, 1989). They involve a series of interviews with respondents, mostly conducted in an unstructured manner. “It is accepted that each individual story is unique and this may be seen as a weakness to the method” (Ladkin, 1999). Life histories try to get an individual to remember their past, in order to understand the present. Ladkin, elaborates on what life histories help researchers accomplish:

- The past, through remembered lives, helps understand the present.
- Rich intimate detail from a close encounter with the respondent.
- Greater understanding of social relationships.
- Exploration of social change.
- Exploration of issues or problems where little is known.
- Complements other sources of data (Ladkin, 1999).

3.2.4. Case study research

Case study research involves exploring “in depth a program, an event, an activity, a process, or one or more individuals” (Creswell, 2003). Unlike the other research strategies, “case studies can provide a richness and uniqueness in data” (Finn *et al.*, 2002). Case study research is inductive research, which tries to explore the issues under study in great depth, which can help to provide a wealth of data to the researcher. Case study research has been defined as:

A case study is an empirical inquiry that (1) investigates a contemporary phenomenon within its real-life context, especially when (2) the boundaries between phenomenon and context are not clearly evident (Yin, 1994).

Case study research has been associated with the qualitative approach by some (Rist, 1984). However, many agree that it should not be only associated with qualitative research (Strauss and Corbin, 1990; Van Maanen, 1988; Van Maanen *et al.*, 1982; Schwartz and Jacobs, 1979), as case studies can involve quantitative tools as well as qualitative ones (Yin, 1994; Creswell, 2003; Bryman, 1988). Due to the richness of the data that can be gathered, and due to the complexity of the issues, case study research cannot rely purely on qualitative data collection and may also employ quantitative data collection (Finn *et al.*, 2002). However, this may not always be true, as certain case studies can rely on only one type of data collection method.

The case study research is neither “a data collection tactic or merely a design feature alone,” rather it is considered a research strategy (Stoecker, 1991). The major aim is to “provide an analysis of the context and process of whatever is being researched” (Finn *et al.*, 2002). Case studies have five major applications in evaluation research:

- The most important is to explain the causal links in real-life interventions that are too complex for survey or experimental strategies.
- A second application is to describe an intervention and the real-life context in which it occurred.

- Third, case studies can illustrate certain topics within an evaluation, again in descriptive mode.
- Fourth, the case study strategy may be used to explore those situations in which the intervention being evaluated has no clear, single set of outcomes.
- Fifth, the case study may be a “meta-evaluation” – a study of an evaluation study (Stake, 1986; Smith, 1990; Yin, 1994)

Despite its strengths, case study research has been associated with certain negative presumptions. Table 3.2, below, examines these myths, and the realities associated with them.

<i>Presumptions</i>	<i>Lacks rigor & researchers have allowed biased views</i>	<i>Lacks basis for generalization</i>	<i>Take too long to conduct</i>
Reality	Case study research is not the same as teaching cases	Can adopt a multiple case strategy	Confusion between methodology and method

Table 3.2: Overcoming case study research shortcomings (based on Yin, 1994)

It is thought that case study research lacks rigour, and may allow researchers to influence the case study through their own biased views. There is sometimes confusion between a teaching case and case study research. Both of them are different, in the sense that a teaching case has room for distortions. In fact, many times teaching cases are intentionally altered and modified in order to make the case achieve its teaching purpose. However, in case study research this is not the case. Alterations or intentional distortions are forbidden in case study research.

Another major concern is that case study research can lack the basics for generalization. The concern is that how can we generalize from a single case? However, Yin says that we can ask the same question about experiments (Yin, 1994). Moreover, another method of overcoming this could be to use multiple case studies.

Finally, the argument has been presented that case study research may be too time consuming. Again, Yin argues that case study research should not be confused with data collection methods. An ethnographic data collection method may take a long time to conduct, however, case studies in general are not time consuming. Since a case study research can use one or more methods, it depends on the type of method applied, as well as other situational factors which determine the time taken to carry out a particular study.

3.2.5. Qualitative vs. quantitative approaches

Both qualitative and quantitative research have several main characteristics. The table, taken from Finn *et al.* (2002) shows some of these.

	<i>Quantitative</i>	<i>Qualitative</i>
Design characteristics	Pre-ordinate design	Emergent design
Data	Measurement using numbers	Meanings using words
Setting	Impersonal, controlled, manipulative	Natural, interactive, personal
Relationship to theory	Confirming theory	Developing theory
Process and procedure	Rational	Intuitive

Table 3.3: Qualitative vs. quantitative research (Finn *et al.*, 2002)

Each of these two approaches has its own attributes, its own strengths and shortcomings. Quantitative research has been the most popular of the research approaches in loyalty marketing research. However, qualitative research too is gaining popularity and “is establishing itself in the social sciences” (Flick, 2002). Quantitative research is said to help the researcher to access a large population by “oversimplifying reality” (Finn *et al.*, 2002). The types of questions asked in quantitative research employ closed ended questions, which are often easier to measure. On the other hand, qualitative research can be used to deal with more complex issues; however can only research a smaller segment of the population. Quantitative research tries to measure data using numbers, which helps researchers to develop statistical tools to test their data. Qualitative data, on the other hand can be more complicated, as the researcher tries to find meanings from the words of the respondents. The questions used in qualitative research are open ended, which allow the respondents to describe their stories more feely, but make it difficult to measure against others.

Due to the nature of the qualitative study, it can be used to develop theory and hypothesis. Quantitative research is used to test those theories and hypotheses (Finn *et al.*, 2002). Bryman states that qualitative research is usually “taken to be exemplified by the social survey and by experimental investigation” (Bryman, 1988). There has been a fast paced change in the social dynamics of society, which has confronted researchers with new social contexts and perspectives (Flick, 2002). Therefore, it has been argued that researchers need to adopt inductive strategies to study these complex social dynamics, which can be done through a qualitative research approach.

Qualitative research’s goal “is less to test the already well known than to discover the new and to develop empirically grounded theories” (Flick, 2002). Qualitative research is associated with methods that help it to discover the new. It is “associated with participant observation and unstructured, in-depth interviewing” (Bryman, 1988), which are flexible methods for researching social dynamics. The “central criteria in qualitative research are whether findings are grounded in empirical material and whether the methods have been appropriately selected and applied to the object under study” (Flick, 2002).

<i>Tend to or typically</i>	<i>Qualitative approaches</i>	<i>Quantitative approaches</i>
Employ these methods	Open-ended questions, emerging approaches, text or image data	Closed ended questions, predetermined approaches, numeric data
Use these practices of research, as the researcher	<ul style="list-style-type: none"> • Positions himself or herself • Collects participant meanings • Focuses on single concept or phenomenon • Brings personal values into the study • Studies the context or setting of participants • Validates the accuracy of findings • Makes interpretations of the data • Creates an agenda for change or reform • Collaborates with the participants 	<ul style="list-style-type: none"> • Tests or verifies theories or explanations • Identifies variables to study • Relates variables in questions or hypothesis • Uses standards of validity and reliability • Observes and measures information numerically • Uses unbiased approaches • Employs statistical procedures

Table 3.4: Uses of qualitative and quantitative research (adopted from Creswell, 2003)

Mixed approaches are those that incorporate both qualitative and quantitative research. Researchers who argue for using this approach claim that qualitative and quantitative approaches are complementary to one another, rather than being substitutes. Since each of these approaches has its own strengths and weaknesses, it will be best to use both so that the strengths can be maximized, and weaknesses minimized (Finn *et al.*, 2002). Bryman (1988) explains the reasons why using a mixed approach may be better than using either of the other approaches:

- Either quantitative research helps facilitate qualitative research, or qualitative research helps facilitate quantitative research. For example, a piece of qualitative research could be used to establish the research question to be addressed by quantitative research.
- Quantitative research can explore large-scale macro structures whereas qualitative research can focus on small-scale micro aspects of the project. This might allow a broader range of issues to be addressed by the research.
- At different points in the study quantitative methods might be more appropriate than qualitative methods, or vice versa (Bryman, 1989).

3.2.6. Previous methodologies used in loyalty research

It is important to examine the methodologies used in past loyalty related research. The surveyed literature, overwhelmingly points to one direction: positivist quantitative research. Table 3.5, on page 118, shows a few of the examples of these types of research. Most of the researchers have adopted the quantitative approach, and have used

questionnaires in their research. The sample sizes have ranged in size from a few hundred, to thousands of respondents. Most of the questionnaires have been conducted through the mail.

Very few qualitative studies have been unearthed in literature. This shows the dominance of the quantitative view within the loyalty research domain. As discussed earlier, the quantitative approach has some advantages; however it is felt that this approach may not be the best in uncovering the types of experiences that are being studied in this research. Research which adopts a qualitative approach hence becomes very important within the loyalty domain.

Author(s) & Date	Method(s)
(Landrum and Prybutok, 2004)	385 mail questionnaires, of US Army Corps of Engineers.
(Gilbert <i>et al.</i> , 2004)	5,136 customers surveyed in this Customer Satisfaction Survey. Jamaica, Scotland, USA, and Wales.
(Lee <i>et al.</i> , 2003)	Questionnaire. 165 users, 84 for banks and 81 for travel agencies
(Loveman, 1998)	45,000 responses of a Regional Bank. Mail response survey.
(Butcher <i>et al.</i> , 2001)	Two cross-sectional surveys. 1) 190 non-academic staff in Australia. 2) 406 customers of small businesses
(Hallowell, 1996)	12,000 retail-banking customers, questionnaire survey
(Caruana, 2002)	194 postal surveys in Malta.
(McMullan, 2005)	1017 ferry passengers in the UK, postal questionnaire.
(Aydin <i>et al.</i> , 2005)	1662 respondents in Turkey, through questionnaire
(Ennew and Binks, 1996)	6101 questionnaires in the UK.
(Bejou <i>et al.</i> , 1998)	568 telephone questionnaires
(Bennett and Rundle-Thiele, 2004)	267 mail survey questionnaires in Australia
(Baloglu, 2002)	293 mailed questionnaires
(Shemwell <i>et al.</i> , 1994)	261 survey questionnaires, 3 by each person.
(Atilgan <i>et al.</i> , 2003)	200 questionnaires, Russian and German tourists in Turkey.
(Bellizzi and Bristol, 2004)	301 questionnaires, mailed to customers.
(Khatibi <i>et al.</i> , 2002)	150 questionnaires of business users in Malaysia
(Lin and Wang, 2006)	255 questionnaire survey respondents in Taiwan
(Anderson and Srinivasan, 2003)	1211 respondents to an online questionnaire survey
(Yu and Dean, 2001)	Survey (questionnaire) 122 undergraduate students in Australian University.
(Wong, 2004)	Survey of 1261 retail store customers (Australia)
(Yim <i>et al.</i> , 2004)	215 general managers of service firms in Hong Kong. Survey questionnaire
(Edvardsson <i>et al.</i> , 2000)	Data analysis from Swedish Customer Satisfaction Index. 200-250 customers of 130 companies (26,000 - 32,500)
(Seiders <i>et al.</i> , 2005)	Hypothesis testing, Retail store customers in USA. 945 questionnaires, mail and web based. 99% women

Table 3.5: Research methods in loyalty literature

3.3. Research approach adopted

Having discussed the various research approaches and looked at the methodologies adopted by loyalty research, the question arises, which one is the best approach for the current research. The easy way will be to adopt the same approach that has been used most in the previous research, i.e. a positivistic, quantitative survey approach. However, this would not do justice to the present research question. Therefore, it is imperative to examine the merits of the different approaches and then to adopt a particular approach for the present study.

No one approach is said to be better or superior than the other approach (Finn *et al.*, 2002). Since each of them have their own strengths and weaknesses. Cohen *et al.*, believe that selecting an appropriate approach should be done on the basis of “fitness of purpose” (Cohen *et al.*, 2000). Or as Creswell puts it, there should be a “match between [the] problem and approach” (Creswell, 2003). According to Cohen *et al.*, “the purpose of the research determines the methodology and design of the research” (Cohen *et al.*, 2000). It is specific types of problems that will help us in choosing a certain type of a research approach. Similarly Clough and Nutbrown state that “different techniques will be useful for different settings and you will need to consider the ethics, practicalities, and justifications of each of those you choose to use” (Clough and Nutbrown, 2002). Creswell elaborates this further by giving the following example:

For example, if the problem is identifying factors that influence an outcome, the utility of an intervention, or understanding the best predictors of

outcomes, then a quantitative approach is best. On the other hand, if a concept or phenomenon needs to be understood because little research has been done on it, then it merits a qualitative approach. Qualitative research is exploratory and is useful when the researcher does not know the important variables to examine. This type of approach may be needed because the topic is new, the topic has never been addressed with a certain sample or group of people, or existing theories do not apply with the particular sample or group under study (Creswell, 2003).

This study's purpose is twofold: one is to examine emotional loyalty in detail and the other to look at the role strategic orientations play in the development of loyalty. The arguments presented above show that a research-then-theory strategy seems to be the best for this particular study. This strategy is better as it has the capability to accommodate the present research's objectives. In this approach we will be able to first explore the phenomenon of emotional loyalty, and then do a causal analysis of the business orientations with loyalty. This research will enable us to do an analysis which should be extensive enough to develop a theoretical model. The model thus will be based on sound work, rather than on hypothetical arguments.

Moreover, conducting this study will require the researcher to adopt a two phase research. The first study will focus on examining the determinants of emotional loyalty. The second will examine the relationship between strategic orientations and loyalty development. Together these two studies will help to contribute towards the development of a concrete research model. In order to carry this research out, a case

study approach seems like the most suitable approach. The case study approach is adopted because of the availability of data, and the time involved in conducting the research, as well as the nature of the problem and objectives. Both of the studies will involve multiple qualitative case studies. However, the method for collecting the data for both of these will be different. This is discussed in further detail in the next few sections.

3.3.1. Research approach adopted: Triangulation

Each approach has its advantages and disadvantages, however there is another approach available for researchers that combines the strengths of various approaches, triangulation. Triangulation is the process whereby researchers try to research the same tool through a variety of research methods. Triangulation has the ability to combine different types of methodologies, observers, sources of data, and theoretical properties to study the same phenomenon (Denzin and Lincoln, 2003). This approach is considered to be a better approach due to the use of multiple methods to solve the same problem. For instance, a researcher may try to solve a question through the use of both qualitative as well as quantitative methodologies. Using triangulation is said to be useful when a researcher is:

- Trying to merge the results.
- Expecting different angles of a phenomenon to emerge as a result of using multiple methods.
- Looking to enrich the data through sequential analysis.
- Seeking fresh perspectives that are needed.

- Trying to add breadth and depth to a study (adopted from, Bryman, 1988).

Triangulation itself has a number of different varieties (Denzin, 2006). The first is the theoretical triangulation. In theoretical triangulation, the researcher uses the same data and analyzes it through different perspectives. This is useful if we want to test multiple theories or to test any loopholes within the dataset. The second type is called data triangulation. Data triangulation is when a researcher uses multiple sampling strategies to gather data. This is useful if the researcher is looking for data which may become corrupt if not gathered properly. Hence, multiple sampling strategies are applied to ensure that the results generated are accurate and applicable to a large population. The third type is called investigator triangulation. In investigator triangulation, research is conducted using multiple observers in the field to gather data or observe a phenomenon. This type of triangulation helps in reducing observer biases or weaknesses.

The final and most popularly used is methodological triangulation. This too has two different varieties. Between-method is when a researcher uses multiple methods to test the same phenomenon. For instance, when a researcher uses both qualitative and quantitative methods to gather or test data. With-in-method is when varieties of the same method are adopted for the study.

Furthermore, methodological triangulation can take two shapes: simultaneous triangulation and sequential triangulation (Morse, 2003). In simultaneous triangulation the researcher uses both research methods at the same time. Data is collected

independently and concurrently. The two data sets don't interact with one another during the data collection process, however the findings of the research complement each other (Morse, 2003). In contrast, sequential triangulation involves conducting research in two or more steps, where the results of one step are used for conducting the second step of the research.

The benefit of using a triangulation approach is that it helps to produce a more reliable result (Denzin and Lincoln, 2003). Critics may question the use of one methodology over the other. However, since triangulation uses a multiple approach method, the problem is looked at and solved using different approaches. This helps to increase the validity and the reliability of the findings (Bryman, 1988; Denzin and Lincoln, 2003). Moreover, the findings are said to be more generalizable since they have been tested through a variety of means.

Since triangulation offers many advantages, this study will adopt a triangulation approach. For this study, methodological triangulation has been adopted. Within this type of research, a with-in-method with a sequential approach is adopted. This research has been broken down into two main studies. The first study is a case study which is explanatory in nature. This research aims to find out what factors contribute to the development of emotional loyalty in a customer. This research will be analyzed through primary qualitative case studies. The results of this study will be important in helping develop the first part of our model. Furthermore, the results will also be useful in analyzing the second study.

The second study starts off with a secondary theoretical review. This is then further complemented by a secondary qualitative case study analysis. The second part of the research will focus on finding the link between the orientations and loyalty. Together these two studies will help in developing a comprehensive model for loyalty management. Details of both of these two studies are presented below.

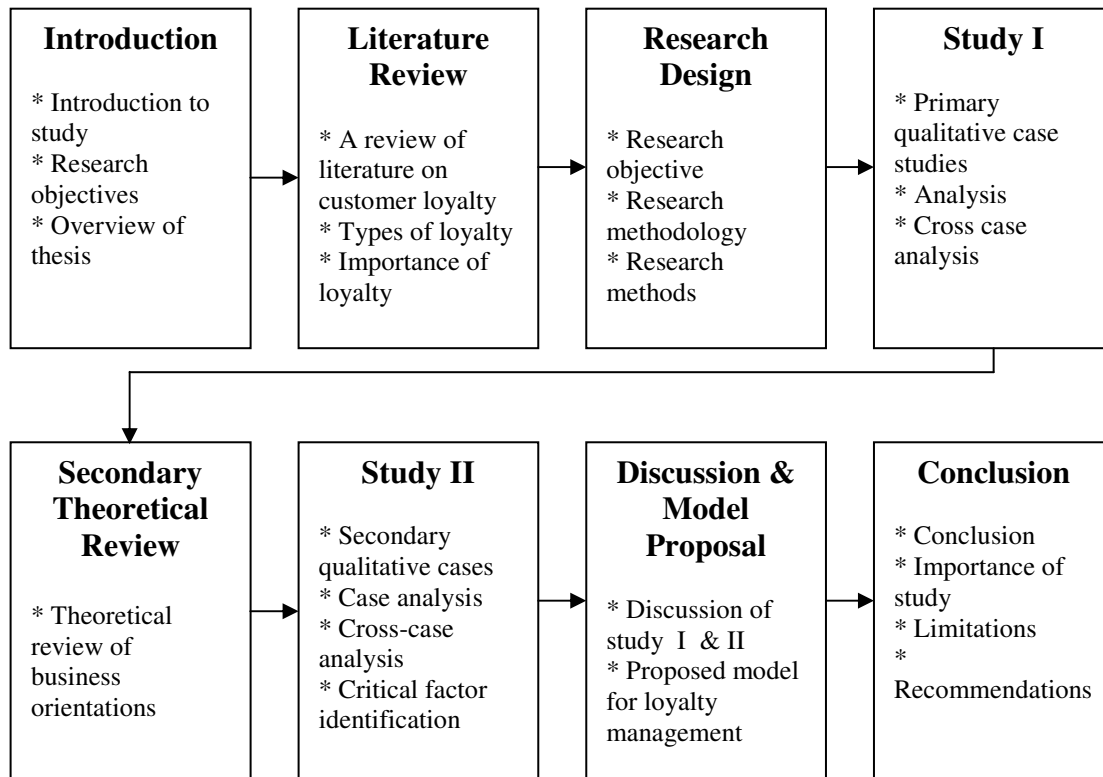


Figure 3.1: The research process of this thesis

3.3.2. Adopted approach: Case studies

The research questions that this study wishes to address are ones which relate more closely to the case study approach. Emotional loyalty is a new concept, which has not been studied much. Researchers have looked at its benefits (Baloglu, 2002; Mattila, 2001a; Mattila, 2001b; Wong, 2004), however, some have called upon finding out the reasons as to how companies can develop emotional loyalty (Mattila, 2001a; Curasi and Kennedy, 2002). Since no previous research explains this phenomenon, it becomes necessary for us to adopt the case study approach, which is associated with developing theory. The case study method is also dynamic, in that it allows the researcher to use a

variety of data collection methods (see next section). The case study approach has a number of other benefits, which apply to the research at hand, these strengths include:

- Capacity to explore social processes as they unfold.
- Understand social processes in their [organizational] context.
- Exploring processes or behaviour that is little understood.
- Explore atypical processes.
- Exploring behaviour which is informal, secret or even illicit.
- Essential in cross-national research to understand meanings attached to particular behaviours (Finn *et al.*, 2002).

Case study research is one which is not an exploratory research, rather an explanatory one. This research needs an explanatory type of methodology, which will help in finding the answers to our research questions. The case study is an “empirical inquiry that (1) investigates a contemporary phenomenon within its real-life context, especially when (2) the boundaries between phenomenon and context are not clearly evident” (Yin, 1994). This happens to be the case with the current research. The research is looking at a real life example, i.e. customers becoming emotionally loyal, and at this point in time the boundaries between the various factors that influence loyalty are not very clear.

3.3.2.1 Generalizability and reliability through multiple cases

In the previous section it was argued that case study research may have some shortcomings. One of these presumed problems with case study research was the lack of basis for generalization (Flick, 2002), especially when a qualitative data collection

method is adopted. However this can be easily overcome by adopting a multiple case study approach. However, at times it may be viable to use a single case method for the study. A single case study can be used when we would like to look at a particular case which tests well founded theory, and the case that is being researched is a critical case. A theory has a “clear set of propositions as well as the circumstances within which the propositions are believed to be true. The single case can then be used to determine whether a theory’s propositions are correct or whether some alternative set of explanations might be more relevant” (Yin, 1994).

Another area where a single case approach can be applied is where the case is said to be a revelatory case. This would be the case when the researcher has the opportunity to explore a phenomenon that had not been studied in the past. It appears that this may be the case for the current research. However, before making a decision to conduct a single case, the merits of multiple cases must be examined. Finally, a third area where a single case may be of use is when the researcher is looking at a unique or extreme case. This method has been used for research in areas such as clinical psychology, and medicine. It can be argued that this would also fit for the current research, depending on how we define an extreme case. If we are to argue that emotional loyalty itself is unique or extreme, then this method becomes viable.

Single case study may be of use in some areas of research, however a multiple case approach is considered more compelling, and more acceptable to the research community as a whole (Herriott and Firestone, 1983). It is considered to be more rigorous, and the findings of the multiple cases are considered more generalizable than a

single case approach. Another important reason for using multiple cases is what has been called the “replication logic” by Yin (1994). Replication logic presumes that the same outcomes will result from all of the cases. This helps to confirm the findings of the research, where it is said the same “syndrome” has taken place in all of the cases involved. If the researcher finds similar results in all of the cases, then we can assume that replication has occurred.

Based on the above theories, it is inferred that the multiple case study approach is generally better, however there are areas when the single case study can be used. For this study it is thought that it would be best to study multiple cases. Presented below is a model of the proposed study.

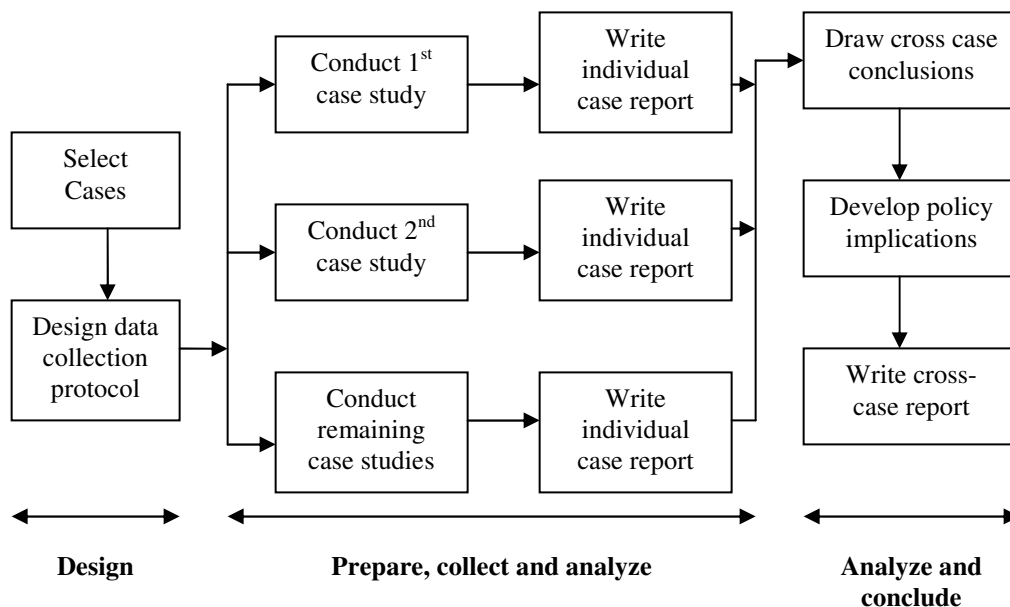


Figure 3.2: Model of case study approach (adopted from Yin, 1994)

3.3.3. Research study 1: Examining emotional loyalty

The purpose of the first study is to explore the attributes of an emotionally loyal customer. This study will focus on understanding the differences between emotionally loyal and attitudinally loyal customers. Furthermore, the study will look at the factors that lead some customers to become emotionally loyal. To conduct this study, four case studies will be carried out. The case studies will be divided into two categories, where two cases will be conducted on one type of culture and the other in another cultural setting. The next few paragraphs explain the case selection process for these case studies.

Entertainers (such as Elvis Presley, The Beatles, etc.), sports clubs (like Manchester United, The Boston Red Sox, etc.), and non-profit organizations (for example Green Peace, Save the Children, etc.) are places where we may find emotionally loyal people. One option would be to survey customers who are loyal to these entities. However, although all three may belong to the service sectors, these do not usually reflect the way other forms of business are conducted.

For instance, many sports supporters display emotional loyalty characteristics (see Chapter 2). However, it has been found that sports do not follow the usual rules for “mainstream business sectors” (Tapp, 2003). This is perhaps due to the fact that sports have characteristics which are unique in nature, and differ greatly from the mainstream business sectors. Sports as a “product is inconsistent and unpredictable, and the marketer has little or no control over the core product” (Mullin *et al.*, 2000). In contrast products and services are generally predictable. Loyalty hence, for sports fans differs

from the loyalty exhibited by customers of main stream businesses. For instance, Tapp (2003) asks, “how many shoppers will sing ‘loyal customers’ as they make their weekly trip to Asda?”

Some researchers even believe that football supporters differ “because football support is an expression of passion and loyalty to the club. The relationship between a fan and his or her club belongs to a different order and magnitude than that of other brand loyalties” (Barajas and Crolley, 2005). For sports fans, it appears that satisfaction in its business sense, has no link to loyalty (Tapp, 2003), or perhaps satisfaction for football supporters is not what can be considered in the traditional sense. For instance, at times a team may enjoy more support when the team is on a losing streak. Support for sports, such as football tends to go far beyond that of a buyer and a seller. Many football club supporters think of themselves as “owners” of the team, even if they don’t have shares or are owners of the club (Barajas and Crolley, 2005). It is for these reasons that things like “product satisfaction, service delivery, and the like” are irrelevant in the sports sector, “in these senses, sport as a product is fundamentally different to those in the more mainstream sectors” (Tapp, 2003).

Due to the nature of these three business types, it will be difficult to say that the results obtained from customers of these businesses will have a major impact on our understanding of customers from other industries. Therefore, it would be useful to study customers from an industry (such as airlines, hotels, travel agencies, telecommunications, etc.) which has many similarities with other industries, and its results applicable to a wider range of areas. Entertainment, sports, and non-profit

organizations are different because customers don't *have* to participate in any of these. They do it because they *want* to. It is seldom we find people who want to go to a lawyer, or get their car serviced. People usually do it because they have to, and not because they want to.

Two good areas for research can be the hotel industry, or the airlines industry. The airlines industry was the first to start a loyalty program, and thus it is contemplated that they will have a wealth of information about their customers. Similarly, most hotels too have frequency programs.

Initially a number of airlines were contacted, via email and post. Only one airline showed interest by responding. This was a Middle East-based airline, Emirates Airlines, which flies to destinations all across the globe. It has won many awards for service quality. It was decided to survey its loyal customers based in the UK for one of the case studies. To do a cultural comparison, we decided to conduct a second case study on the airlines' loyal customers in Pakistan. The UK and Pakistan represent two different types of cultures, one represents an individualist society (UK) and the other a community based society (Pakistan). The differences are discussed in more detail in Chapter 4. Furthermore, the UK and Pakistan were chosen on the basis of ease of data access. The researcher is based in the UK and has easy access to companies and customers in the UK. Moreover, the researcher has lived and worked in Pakistan, and thus has relatively easy access to firms and customers there as well.

First, a database analysis was conducted to find those customers that were deemed to be “very loyal” on Emirates’ standards. Only those customers were chosen for the case studies that used the airline for leisure travel. It was discovered that most of the business customers were not in charge of making purchase decisions themselves, hence loyalty became a more complex matter to study. Leisure customers however did make the purchase decision themselves. A list of these customers was made. The researchers started by contacting each person on the list and asking for time for an interview. For each of the cultural settings, ten customers were chosen and interviewed. Thus in total 20 customers were interviewed to form the basis of these two case studies.

For other case studies, it was decided that the tourism and hospitality industry would be best suited for the present study. The tourism and hospitality sector usually has a wealth of customer data. For this purpose a number of large travel agencies and hotel chains in the UK were contacted via phone and post seeking help in providing customer data. The companies contacted included multinational travel agencies and hotels, a number of large national level travel agencies and hotels, and a couple of smaller specialized firms operating in the travel industry. Out of these firms, Thomson Travel, a national level travel firm, agreed to collaborate. Another firm, a large multinational hotel chain wished to take part in the study, however wanted to start the collaboration at a later date (at least a year later). It was decided to start the research with Thomson Travel, and use it as the basis of the third case study. For the cultural comparison, no large scale travel agency exists in Pakistan. The largest one operated by the Pakistan Tourism Development Corporation (PTDC), did not have sufficient customer data. The main reason for this is that formal travel and tourism sector is relatively new in Pakistan.

However, the hospitality industry is not new and has been flourishing. In Pakistan a number of major hotel chains were contacted. These included both multinational firms as well as national level firms. Out of these a large multinational hotel chain, Serena Hotels and Resorts, was chosen for the fourth case study. Serena has its headquarters in Pakistan and has hotels and resorts both in Asia and Africa. For both of these two case studies, ten customers of each were interviewed.

Similarly for these two case studies, each firm's customer database was accessed, and a list of potential respondents was drawn up. This list included customers who exhibited very high levels of loyalty, as described by each company. For the travel firm, these were customers who had booked at least three holidays (vacations) in the past three years with this travel agency. Many had recently booked new vacations. To make sure that this was not loyalty to a particular hotel or resort, all those customers who had travelled to, or booked a holiday to a repeat hotel/resort were excluded from the sample. Similarly, for the hotel customers, the database analysis revealed a list of the most loyal customers who had been staying frequently with the hotel in the past two years. Before interviewing these customers, they were contacted for interviews and asked if they were mainly business or leisure travellers. Many hotel customers claimed to be business travellers who did not make the purchase decision themselves. These customers were then dropped from the final interview stage. Customers were contacted and interview times were taken. For the customers in Pakistan, and for both airlines, as well as the hotel, the researcher made a trip in 2008 to collect data. The data from customers in the UK were also collected in 2008.

While this section focused on looking at the four case studies the choice of data collection method is discussed in the next section.

3.3.3.1 Data collection method adopted

In this particular study, observations cannot be used because the phenomenon under study is not something which may take place at one particular time, rather it may develop over time. Moreover, it is related to attitudes (Oliver, 1999; Dick and Basu, 1994), which can be hard to observe. Documents would also not be suitable for the present study. The process of a customer becoming emotionally loyal probably would not be documented. Moreover, at this stage it is not known if there is any documentation that may help us improve our understanding of emotional loyalty in customers. Finally, the audiovisual material would not be useful in assessing customers' attitudes. Interviews however, can be useful in assessing customer attitudes. Moreover, interviews can help us to answer our research question, which the other methods may not be able to do.

Interviews can be done in many different formats. In-depth interviews can be useful in finding out factors and variables which have been unknown to the researcher in the past. They are also useful in helping the researcher to understand the experiences of people within a given context. Cases where a high degree of trust is involved, are best solved through the use of interviews (Tapp, 2003). In this study, the researcher needs to develop a high degree of trust, in order to discuss a sensitive issue, i.e. emotional loyalty. Interviews within a case study try to "explore and probe in depth the particular circumstances of an organization and to analyze organizational behavior in a specific

context” (Finn *et al.*, 2002). Interviews will be conducted on individuals who are emotionally loyal to a service firm. According to Goulding (2005), “language is the central medium for transmitting meaning”. In this case the main instrument for collecting data becomes the interview.

There are three types of interviews that a researcher can conduct. These include structured interviews, which consist of a set of predetermined questions. This method relies on the quantitative approach for data collection. Semi-structured interviews consist of a set of questions, with room for probing the respondent. Finally, the unstructured interview is one where the interviewer goes in with a general idea, and conducts an in-depth interview, going along as the respondent replies to questions. Questions will come up as the interview progresses in this method. Finn *et al.* have given the following definitions of the three types of interviews:

- **Structured interviews:** This type of interview is associated with the survey style of research where a standard interview schedule is designed to answer a series of specific questions on a face-to-face basis. This interview structure will produce quantitative data for analysis.
- **Semi-structured interview:** Interviews of this nature will have specified questions but will allow more probing to seek clarifications and elaboration. They would have more latitude than the structured interview.
- **Unstructured interview:** This type of interview has also been called ... a ‘depth’ interview, a ‘qualitative review’ or an ‘exploratory’ interview. The aim is to

understand the perspective of the interviewee and the meanings that the interviewee attaches to situations and contexts important to him or her. (Finn *et al.*, 2002)

Each of these three types of interviews has their own advantages and disadvantages. These need to be evaluated prior to making a decision as to which method needs to be adopted. Table 3.6 outlines the advantages and disadvantages of each of these interview types.

<i>Type of interview</i>	<i>Advantages</i>	<i>Disadvantages</i>
Structured	Interviewees answer same questions, increasing the comparability of the responses Interviewer bias reduced Data easily analyzed using statistical techniques	Very little flexibility and the standardized wording may inhibit responses Pre-determined questions may not be relevant
Semi-structured	Combines the flexibility of the unstructured interview with comparability of key questions	Bias may increase as interviewer selects questions to probe and may inhibit comparability of responses
Unstructured	Interviewer responds in a flexible way to interviewee Interviewer's role is minimal allowing interviewee to express ideas in his/her own words	Comparability is much reduced and data analysis is more difficult Data quality depends on listening and communicating skills of the interviewer

Table 3.6: Types of interviews (Finn *et al.*, 2002)

For the first study, it is felt that a semi-structured approach has to be adopted. The extensive literature review has presented us with guidelines as to what possibly could be reasons why customers become emotionally loyal. To investigate this matter further and to find out what other factors may be involved, it is best to use the semi-structured

approach. In this approach the researcher will have the backing of literature, and the freedom to probe the respondents.

3.3.3.2 Data collection and analysis

In total the researcher conducted 40 interviews with customers. Each interview was conducted at either the respondent's premises or at a mutually agreed place. Each interview was recorded, with prior permission from the respondent. This was then transcribed into a word processor. The data was then inputted into the NVIVO software for analysis. The analysis of the interviews was conducted by going through each interview and finding key words or ideas within each interview. These key factors were later collated into one main document, which helped the researcher to make links between various factors. A detailed analysis of these is presented in Chapter 4.

3.3.3.3 Ethical concerns

When conducting an interview ethical issues arise. It is of importance that the true identity of the subject is not revealed. Furthermore, it is imperative that an informed consent is taken prior to the start of the interview. For the present study, respondents will be given a consent document which requests that the interview be recorded onto a device (tape recorder / mp3 recorder) and also ensures the respondent that their identity will be kept confidential. A copy of this document will be given to the respondent.

3.3.4. Study 2: The link between strategic orientations and loyalty

The second part of the study builds on the findings of the first and tries to find a link between strategic orientations and customer loyalty. The second study was further split

into two parts. Part one of this, discussed in Chapter 5, is focused on conducting a secondary theory review. This is based primarily on the review of five major business orientation theories (brand orientation, customer orientation, market orientation, quality orientation and service orientation). Each of these theories has claimed to provide great benefits to organizations. Each theory also claims to be able to help organizations to develop high levels of customer loyalty. Hence a comprehensive review of these theories is presented.

Based on the review of the theory, a case study analysis is conducted. For the case study analysis we wanted to look at companies that: 1) were considered best practice firms, 2) had high levels of loyalty, and 3) data was readily available. The Malcolm Baldrige National Quality Award (MBNQA) winners seem to fall within these criteria (more details are discussed in Chapter 6). Winners of the MBNQA presented high levels of readily available information, were considered to be best practice firms and had high levels of loyalty. Thus, six companies from six different industries were chosen as cases for this study. The six companies belonged to: automotive parts manufacturing (PRO-TEC), leasing and financing (Caterpillar Finance), automobile dealership (Park Place Lexus), food manufacturing (Sunny Fresh Foods), business alliance (Premier) and the healthcare services (PVHS) sectors. Six different sectors were chosen, so that the results of these could be verified on a larger scale and not limited to a particular industry. These companies represented “newer” award winners, i.e. those that won an award between 2002 and 2008. This was done so that a more reliable set of data was achieved.

Analyzing the case studies required reading the documents submitted by each firm to the MBNQA organizers. These documentations had much data about the company, its workings, policies, and financial results. The data was analyzed for a number of important factors. First for each case study a background of the company was recorded. Then, for each company analysis was conducted to see which of the strategic orientations the company was following. This was followed by an analysis of the impact of the orientations on business performance and customer loyalty. Later an in-depth cross-case analysis was conducted. This involved looking at the combined usefulness of each of the strategic orientations. Furthermore, an analysis was done on finding out how companies can effectively implement each strategic orientation; this was done by looking at the drivers, enablers, capabilities and impact of each orientation. Later, a set of critical success factors was analyzed that best performance firms have adopted in creating high levels of customer loyalty.

3.3.5. Reliability, validity and generalizations

A major concern for any research is that it is both reliable and valid. Validity and reliability along with generalizations are said to be the “foundations upon which researchers should judge a piece of research” (Rowley, 2002). According to Winter (2000) validity depends on the research methodologies (Winter, 2000). As a methodology, qualitative research and interviews have a problem with reliability and validity (Finn *et al.*, 2002). This is true because the researcher is the main person who is involved in the data collection and analysis. Mistakes are more likely to take place in this sort of research approach as compared to other approaches. A researcher who is experienced is considered to be a more reliable researcher when adopting the interview

methods. This research is conducted by a seasoned researcher who has produced a number of conference and journal papers based on various qualitative and quantitative research methodologies (for example see: Khan, 2005; Khan and Hussain 2006; Hussain *et al.*, 2007; Khan, 2004a; Khan, 2004b; Khan, 2009a). Moreover, to ensure reliability and validity, an extensive literature search has been carried out which has helped to shape the semi-structured interview questions. However, these are not the only criteria in ensuring that the research is a reliable one. In case study research, reliability and validity are of major concerns when it comes to doing a single case study. However, as discussed previously, the multiple case approach helps to avoid many of the validity concerns associated with the case study approach. This research has adopted the multiple case approach, which will help to avoid the problems associated with the single case approach. Furthermore, a triangulation approach has been adopted for this research. As discussed earlier, triangulation will help in making sure that the research is reliable.

Generalization is also considered an important factor for research. Rowley (2002) says that generalization, “so that it contributes to research is important.” Problems with case study arise when a single case study approach has been adopted. Single case studies don’t allow comparisons, and hence are considered weak in their ability to offer a generalized result (Ghauri and Gronhaug, 2002). In a single case study, the study can only be generalized to other similar cases. However, a broader generalization cannot be made. In multiple case approach, “if two or more cases support the same theory replication can be claimed” on a broader level (Ghauri and Gronhaug, 2002).

Moreover, the second study looks at six different industries. Examining a wide range of organizations will help to ensure that the data is generalizable on a wider scale.

3.4. Summary

This chapter has examined the various research approaches available. A discussion between the strengths and weaknesses of qualitative and quantitative research has taken place. Further various methodologies have been surveyed. The usefulness of each of these has been looked at in light of the present study. Triangulation as a strategy has been adopted for the present research. Furthermore, the case study approach has emerged as the most suitable research methodology for the present study because of its ability to help in answering the research questions. Further, a research strategy has been adopted, where multiple cases will be used.

Two main studies are proposed. The first which follows semi-structured interviews is used to find answers about emotional loyalty. The second study is used to examine the links between strategic orientations and loyalty. The next section will look at the analysis of Study I. This will be followed by a review of theory for Study II along with a chapter that analyzes Study II. Finally, results will be presented for study which will be followed up with a proposed model.

Chapter 4: Qualitative analysis of primary case studies

4.1. Introduction

The first part of the research process consists of conducting case studies to find out the factors that distinguish emotionally loyal customers from the other types of loyal customers. This first study looks at four cases in two different cultural contexts (Asian and European). Asian customers are characterized as being part of a collectivist, eastern culture whereas European customers are part of a western and individualist culture. The cases are conducted on two types of firms, an airline company and a travel company. For the airlines firm, customers of Emirates Airlines were contacted and surveyed in both of the cultural settings, providing two case studies. For the travel firm two different companies were chosen, a British travel firm, Thomson Travel, and an Asian hotel and resort chain, Serena Hotels. These two companies constituted the remaining two case studies.

As part of the case studies, “very loyal” customers were contacted and subsequently in-depth interviews were carried out to get a better understanding of these customers’ loyalties towards the companies. In this chapter an analysis of the case studies is conducted.

4.2. The impact of culture on business

Cultural differences can be important in the global marketplace where both customers and companies are crossing national boundaries to conduct business. In this study all

three of the companies concerned operate in a number of different countries and deal with different customers from various cultural backgrounds. Culture has been defined as:

An interrelated set of elements, comprising knowledge, beliefs, values, laws, morals and other behaviors acquired by a person as a member of a particular society (Usunier and Lee, 2005).

We know that each interaction between the customer and the employee includes, to an extent, some sort of social interaction. This interaction is based on the customers' cultural values, and hence has an overall impact on the encounter with a firm. Understanding the differences in culture is important in creating the right marketing strategies. Moreover, competence for companies in dealing with customers from different cultures is a key capability for success of an organization (Patterson and Mattila, 2008).

Previous research suggests that the culture of people leads them to have different attitudes and preferences (Mattila, 1999; Schütte and Ciarlante, 1998). A customer's culture also is said to have an impact on the customer's evaluation of a service encounter (Patterson and Mattila, 2008; Patterson *et al.*, 2006; Winsted, 1999). The culture is also said to have an impact on a customer's expectations of quality (Donthu and Yoo, 1998), referral tendency (Money and Gilly, 1998), and ability to accept mistakes (Mattila and Patterson, 2004). Cultural norms are also said to impact factors such as the satisfaction (Patterson and Mattila, 2008), and the nature and strength of the relationship a customer has with a company (Patterson and Smith, 2001; Patterson and Smith, 2003).

Two major types of cultures have been studied by researchers: individualist and collectivist cultures. The difference between these two cultures is discussed in detail in the next section.

4.3. Individualist vs. collectivist cultures

Past research points to cultural differences in individualist and collectivist customers and their impact on business. For instance Patterson and Mattila looked at the difference between USA, which is a western and individualist culture and that of Thailand, which is an eastern and collectivist culture (Patterson and Mattila, 2008). For Asian (collectivist) cultures, the customers expect special treatment from those employees whom they are familiar with (Voronov and Singer, 2002). Furthermore, Asian customers may be less likely to trust strangers (employees) (Triandis, 1989). These may be employees in a new firm or within the same firm.

Customers from individualist cultures like the UK act as individuals instead of as members of groups (Patterson and Mattila, 2008). These customers may want individual attention, and individual achievements instead of focusing on collective recognition and collective achievements. Other countries that would fall into an individualist society include USA, Australia or the Netherlands (Patterson and Mattila, 2008). In contrast, customers from collectivist societies work together as a group. These customers define themselves as part of a group and work on collectivist recognition. They “define themselves on the basis of their relationships with in-group members and those (e.g. a focal service provider) with which they are familiar” (Patterson and Mattila, 2008).

These customers have a system that is based on shared values and shared behaviour. Other examples of customers in individualist societies include UAE, Pakistan, China, and Thailand.

It is believed that a “capability to manage cross cultural exchanges with consumers from both West and East cultures justifies investigating the cultural context” (Patterson and Mattila, 2008). Based on these factors there is a strong reason to believe that there may be differences in customer loyalty between the two cultural groups. The remainder of this chapter looks at analyzing each case and examines the differences between the loyal customers within each organization. The chapter also tries to identify any cultural differences between the two cultural groups. Finally, a cross case analysis is conducted which takes a closer look at the critical factors that constitute the various types of loyal customer.

4.4. Case 1: European customers of a travel firm (Thomson Travel)

4.4.1. Introduction

The first case study involved examining the customers of a travel firm. Several of the best travel firms in the UK were contacted to take part in this study. Thomson Travel was the firm that both agreed to take part and also to provide crucial customer data in time to conduct this study. The travel firm is based in the UK, and has been operating for over 40 years. This travel agency provides a number of services. The main area of business is providing package holidays to destinations all over the globe. They also sell individual services including flights, hotel accommodation, car rentals, cruises, etc. The

main focus of the research was on customers who book package holidays with the company, as this is the main area of business for this firm.

4.4.2. Customer characteristics

The travel firm characterizes their most loyal customers as those who in the past three years have purchased at least three holidays. However, the research found several other characteristics about these customers. First, all of them had been with the company for at least 5 years. Second, all of them purchased at least 50% of all their holidays with the company. Third, all of the customers were satisfied, and thought the quality of services were good. This is as far as the overall characteristics of the customers go. These customers can be divided into two categories: those who were emotionally loyal and those who were attitudinally loyal to the company. None of the customers were only behaviourally loyal to the company. The reason for this is simple, customers who are only behaviourally loyal usually feel as if they are forced to do business with a certain firm. In this case, a holiday is something that people take to get away from the daily routine of life and to get relaxation and enjoyment, which contradicts the purely behaviourally loyal behaviour. Hence, those people who buy package holidays are ones who go to places where they want to go to, and would enjoy, rather than being forced to go on a holiday. For a customer to be with a travel firm for such a long period of time, they would have to be either attitudinally or emotionally loyal. The next section discusses the characteristics of these two types of customer in detail.

4.4.3. Attitudinally loyal customers

The travel agency had a large percentage of attitudinally loyal customers. Out of the sample surveyed, about 2 out of every 3 customers were attitudinally loyal. These customers are generally “newer” customers as compared to emotionally loyal customers. On average the attitudinally loyal customers had been customers of the company for at least 5 years. The average ranged from 5 to 7 years for these customers.

These customers thought that the quality of services by the company were good, and felt “satisfied” with the company’s products and services. Commenting on the quality of the services, customer responses ranged from, “reasonable” to “first class”. For instance customer comments included: “I like the thing that they... they’ve got a pretty good standard you know,” as well as comments relating to the service quality as, “yeah, reasonable, yeah.” Yet another customer commented that “ah, well, I can tell you now that we’ve always been satisfied with Thomsons. Yes, whenever we’ve booked with Thomsons. That’s about it anyway.” It is important to note that the common terms used by this type of customer don’t show an enthusiasm shown by emotionally loyal customers (see next section). They seem to be merely satisfied or their expectations have been met. For example, one customer reported that she got a satisfactory service because the experience was according to what was described in the brochure: “you know places what it says in the brochure, that’s primarily what we go for. Very often it can say one thing and mean another, but generally speaking we’ve been reasonably happy where we’ve been.” Furthermore, for these customers the quality of services seemed not much different than the competing companies they purchased with, as one customer commented, “not a great deal really, not much difference.”

One interesting factor that distinguishes these customers from the emotionally loyal ones is that they did not have any memorable experiences with the firm. Research (Mattila, 2001a) has found that memorable experiences are important in helping to develop emotional loyalty. Customers who were attitudinally loyal said things like, “I wouldn’t say good or memorable, you know sort of, satisfactory,” and when asked if they had memorable experiences, responded: “ahh, not really.” One customer sums up the experience of these customers by saying:

... yeah we’ve had some nice holidays with the company yeah. We liked some of the hotels we’ve been to, you know. The holidays we’ve had have been very good. We liked the gold hotel in Rhodes, which was very nice. Very enjoyable time there. And, amm, basically, I mean nothing that goes wow, or anything like that.

The wow factor or the memorable experience factor is one major thing that is missing from the experiences of attitudinally loyal customers.

Many of these customers also claimed to have had “bad” or “unpleasant” experiences with the firm. There were three types of answers that were identified under bad experiences. In category one, the customers had a bad experience which was not dealt with by the firm in a satisfactory manner. Here is a conversation between the interviewer and the respondent which shows that a bad experience which had not been dealt with resulted in the customer not wanting to purchase a certain type of service from the company in the future:

Interviewer (I): Have you had any bad experiences in terms of service with this firm?

Respondent (R): Amm, well yes, I suppose I have actually.

I: Right

R: Amm, I mean I have written in about them, but didn't get a very satisfactory answer.

I: Can you please just tell me what this was about, what happened?

R: Am, well, primarily the last time I went to the Dominican, which was a couple of Christmases ago, I went with my family, and we booked the premium seats, you know?

I: Uh huh

R: It was all premium seats, which was fine going out, but coming back we had less than premier service. I couldn't even get a drink, because they couldn't be bothered to serve me.

I: I see

R: I mean I know the flight was delayed, so it ended up being a night flight instead of an evening flight. Okay, some people wanted to sleep, but I think that maybe the staff wanted to relax because they had a good Christmas too.

I: Okay

R: That was my impression.

I: You wrote a letter or an email?

R: Yeah, I wrote in and I emailed but they said they felt they had given me the service that I paid for, so I certainly wouldn't go premium with this company again.

It was further discovered that those customers whose complaints or bad experiences were not compensated by the firm purchased less from the firm than the others (about 10% less spent in their total spending than other attitudinally loyal customers). A

second type of customer was one who had not had a bad experience with the firm at all. Interestingly, this type of customer had the same level of spending as the first type, meaning they too spent about 10% less out of their total spend with this firm.

A third type of customer was one who had a bad experience but was compensated, to some extent, by the firm. The following is an excerpt from a conversation that highlights this:

It was in Tenerife. We had a few minor complaints, but nothing was ever done about it. But to compensate, on the last date what they did do, we wanted to book the room for the extra day. You know for extra hours. And they gave us it free, let us stay for free. So basically we were satisfied, at the end of the day.

Customers whose complaints had been dealt with somewhat, seemed to spend more with the firm than the other two categories of customers. These customers spend about 60% of their total holiday spending with the firm. This fact confirms past research, that service recovery can create a favourable response (Mattila, 2001b). However, this research goes one step further with the discovery that customers who experience a positive service recovery will spend more with the firm than others.

In terms of recommending the firm to others, a mixed response was received. Some customers actively referred the company to friends and family. Others did not refer it at all, where some recommended only parts of the service which attracted them (e.g. a favourite hotel). One customer put it as follows; “but we don’t per certainty say you

know, I recommend that you go with the company. When we enjoyed the hotel, we just recommend it.”

These customers received some personal communications, but were not very happy with them. Some said they received personal communications in the form of emails, letters and brochures. Others said that they used to receive them in the past, but stopped receiving lately. For instance, one customer recalled how he had received personalized communication in the past, which was thought to be very useful, however did not get anything at the present:

R: I’ve had, yes, I’ve had adverts with papers personalized with my name on them. I received, not this year, I got a calendar off them last year.

I: Right

R: Which I felt, very, very useful.

I: uh-hum

R: Aaaa, but they didn’t send one this year. I think it was just a one off.

I: Okay

R: But I’ve had personalized things from them, and it is appreciated.

In terms of searching for alternatives, all of these customers said that they searched for alternatives before making a purchase. Most said that they would look at this company first, and then they would go to others. Customers were very open and honest about comparing with other companies: “we do a bit of comparison, yeah.” Others said that

shopping online helped them to compare prices, “it could be either, but generally online. Well generally its easier for me to compare other prices for the same thing.”

Out of their total spend, these customers made on average between 50% and 60% of their sales with this travel firm. These customers were going to other firms for 40% to 50% of their business. Respondents were asked about the main reason why they looked at other companies, and the only reason that came up was price. Some customers said that the prices were inconsistent, i.e. the price online versus in store. Moreover, customers said that other companies offered prices which were between 10% and 20% less costly than this travel firm.

One note of encouragement for the travel firm, these customers said they would not try a new firm which had prices that were somewhat lower than this firm. Meaning these customers were willing to pay a very slight increase in price (about 2 to 5%) if the competing company was new. However, they would switch to another company which they had tried in the past, if they found a lower price, no matter what the difference in price was. Moreover they would also switch to a new firm if the price difference was more than about 20%. One customer’s response best sums up the characteristics of attitudinally loyal customers when it comes to price: “price, well yeah, price, we’re driven by price, and best value for money really. We don’t go for the cheapest hotels; we pick quality hotels with the best value.” Another customer elaborated on this by saying, “basically what we do is ... we find out operators... if you take one instance, if you take Rome, there are so many operators going to Rome, the competition is good among the hotels, that people now are going for price wise.”

4.4.3.1 Characteristics of attitudinally loyalty customers of Thomson Travel

This section summed up the characteristics of attitudinally loyal customers. It was found that on average all of the attitudinally loyal customers exhibited similar characteristics. However, service recovery does make a difference in terms of the total spend with the firm. The next section will now look at the characteristics of emotionally loyal customers.

4.4.4. Emotionally loyal customers

Emotionally loyal customers on the other hand had similar characteristics to attitudinally loyal customers, but differed in a number of areas. Emotionally loyal customers made up about 33% of the sample. These customers had been with the company for a longer period of time, with the minimum being 7 years. Customers were with the company anywhere between 7 and 10 years.

In terms of quality perception, these customers had a better view of the travel firm. They thought that they got a better quality of service than other firms. Some of the customer comments included: “we get quality there with them” and “I think they’ve all been good really.” Another customer claimed: “well we always go with ... we try the firms’ gold and platinum plans ... the flights are always very good and comfortable we find, and the quality of the hotels is really good.” Furthermore, a customer described all the areas where he thought that he got good quality from the firm:

Umm, the people, the staff, yeah. The service that you get in the hotels. The hotel staff. The facilities that they have. And certainly the food, most certainly the food, the catering facilities ... in the gold hotels are superb, brilliant.

Customer comments had more positive connotations than those of attitudinally loyal customers. For instance, customers thought that the quality of service was, “brilliant” and “superb”. One customer said: “Brilliant. Good. That’s why we go with them, always use them.”

All of these customers felt that they had had memorable experiences with the firm. For instance, one respondent described special treatment she had received on her birthday, “we usually upgrade and when it was my birthday, we had the champagne and the chocolates on the plane and ... we had the superior room. So that was good for me.” Some of these customers perceived having had more than one memorable experience, “we’ve had a number in terms of the hotels we’ve stayed at, and also the trips and things, that we’ve been on, you know they’ve organized cultural trips and things, we’ve not had a bad word to say about any of them. We’ve thoroughly enjoyed all of them.” This is one of the main factors that differentiate attitudinally loyal customers from emotionally loyal customers.

In terms of bad experiences, these customers had none! None of the customers could think of a single bad experience. This is an important factor, as it shows that the customers have received a consistent level of quality service throughout their time with

the firm. This itself can be described as a factor which can create delight (Kumar *et al.*, 2001). This quote from an interview describes some of the feelings of customers who were emotionally loyal: “I’m going to sound very boring, here because we’ve no complaints whatsoever, whether it’s been flights, whether it’s been hotels, umm, the place that we go to, we’ve got just nothing to complain about at all.”

These customers were more active when it came to recommending the firm to family and friends. All of them said they have and would recommend the firm to others.

Another interesting difference between emotionally loyal and attitudinally loyal customers is that they thought they had received good personal communications and recognition. Customers thought that the communication from the company was very useful for them. The customized brochures and mailings that the company sent were thought to be helpful, and the customers felt good about receiving them. In terms of recognition, some of the customers who purchased from the high street outlets felt that they were treated special, because the people at the high street store knew them by name. One customer commented: “if I was going in there this afternoon, the people there would know me, and know me by name, which is excellent service.” Attitudinally loyal customers had not experienced such service. Although most of the attitudinally loyal customers purchased online, the ones who went to high street stores had not received such a service.

When it came to searching for alternatives, all of them said they had stopped searching for alternatives. On average it was found that after being with the company for 3 to 4

years, customers stopped searching for alternatives. This factor also distinguishes attitudinally loyal customers from emotionally loyal customers. Where attitudinally loyal customers actively search for alternatives, emotionally loyal customers do not search for alternatives at all!

Since these customers do not search for alternatives, in terms of their total spend, these customers gave one hundred percent of their business to the travel firm. Moreover, these customers were also more willing to accept increases in prices. One customer noted that he would probably accept higher prices, “probably yes, because we get the quality there with them, so yes probably.” However, interestingly, it was the lower prices which brought them to this firm in the first place!

Customer characteristics	European customers of the travel firm	
	Attitudinally loyal customers	Emotionally loyal customers
Min. time with the firm	5 years	7 years
Level of satisfaction	Satisfactory	Good
Quality perception	Good	Superb, Brilliant
Memorable experiences	None	Yes, Many
Bad experiences	Yes	None
Search for alternatives	Always	Never
Accept higher costs	Never	Yes, Probably
Percentage of total spend	50-60%	100%
Refer to friends & family	No, Sometimes, Yes	Yes

Table 4.1: Characteristics of European customers of a travel company

4.5. Case 2: European customers of an airline company (Emirates Airline)

4.5.1. Introduction

The second case study looked at a popular Middle East based airline, Emirates Airlines. The customers surveyed were European customers, British, who frequently travelled on this airline. The customers surveyed were ones who did leisure travelling with the airline as opposed to business customers. When contacting business customers, it was discovered that most do not make the purchase decision themselves; rather a company representative does the buying for them. Hence, it did not make sense to pursue them for the present study.

The airline is one of the largest in the world, with over 100 aircraft flying to over 100 destinations. Although, a Middle East based airline, it employs people from all across the globe, giving it a truly international outlook. The company not only provides the flight services, but also provides services such as cargo handling and leisure management. The airline flies out of and to a number of major airports in the UK to destinations in 6 continents. Emirates has its base in Dubai, and in 2008 there were an estimated 100,000 Britons living in Dubai (Verma, 2009) who fly to and from the UK frequently. Furthermore, Emirates has won many awards for service quality over the years, and hence makes a good company to study for this research.

4.5.2. Customer characteristics

The loyal customers of this airline are ones who have been with the airline for at least three years and have travelled with the airline at least three times. As was discovered in the first case study, this company too had two types of customers: the attitudinally loyal, and the emotionally loyal. The airline seemed to fare better than the travel agency, as the customers surveyed were about 50% attitudinally loyal and 50% emotionally loyal customers. The differences in characteristics between the two types of customers are quite clear for this company. These differences are discussed in the next two sections.

4.5.3. Attitudinally loyal customers

The customers who have been classified as attitudinally loyal seemed to exhibit similar characteristics to those in the travel firm. Attitudinally loyal customers for the airline had been with the firm for at least 3 years. The level of service these customers received was perceived to be 'satisfactory.' Many of the customers said that the quality of the service was as good as or similar to that of competing firms. One customer said that, "it's good, but nothing special. Mmm, you know, nothing out of the ordinary, I'm happy with their service." Most of the responses from the attitudinally loyal customers were similar to this. Although the customers were satisfied with the service provided, they thought it wasn't better than the competition. In terms of memorable experiences, these customers did not have any either. These customers felt that their level of satisfaction was good, however they'd never had any memorable experiences.

Some of the attitudinally loyal customers at Emirates felt that they had experienced "bad services" with some degree of service recovery. Interestingly, the bad experiences were

limited to the support services and not the main travel on the airline itself. These experiences included problems with the booking, unpleasant operators in the call centres, and wrong promises made to customers. For instance, one customer said: “we wanted to change our booking, but the lady at the call centre was very impolite. Ummm you know, you don’t talk to customers like that... I can’t talk to my customers like that. But when I complained, then the manager apologized, which was fine I guess.” Another customer had this to say:

There was this one time ... last year I was going to visit my sister in Australia and had a stay in Dubai. When I made a booking I was told that the hotel, the one the airline books for you, was going to be for 50 pounds. When we got there they charged us an extra 25 pounds as a service charge. I paid the charge, it wasn’t a big deal or anything, but it’s like they never told us about it ... but I never had a problem flying with them.

While some of the service failures were recovered, a number of these were not. However, the customers continued to fly with Emirates. The main reason for this would probably be that they did not have service failures with the main airline services. Hence, they were not dejected from using the core service within the service offerings of Emirates.

These customers were also frequently looking out for alternatives. Most of the customers said that they almost always searched for competitor’s fares when searching for flights. One customer said, “yeah you know, you got to look around... to see what’s the best deal out there... you know you have to make best use of your money.” Another

customer added: “we prefer Emirates, but if we get a better deal we’ll go elsewhere, umm, but Emirates is ... we like Emirates. Usually they have good deals.” Customers who perceived to get a similar deal with another airline would stick with Emirates. However, a comparatively bigger change in price would see the customer switch to the competition.

When asked about the total spending with Emirates, as compared to the total amount of flights they took, the answer ranged between 50% and 65%. It appears that while Emirates was a top choice for most customers, some of them would switch if they felt they got a better deal. Moreover, Emirates did not fly to all destinations. This resulted in a lower figure for the total spending on leisure travel.

In terms of word-of-mouth for these customers, they did recommend the airline to others. However, the rigor with which they recommended was not as great as that of the emotionally loyal customers. Customers’ responses ranged from recommending the airlines ‘sometimes’ to ‘yeah, if asked’. Since these customers felt they did not get a service which was out of the ordinary, they felt no need to bring up the issue themselves. For instance one customer said,

Yeah we talk about it... discuss with our friends, but... but we won’t like bring it up ourselves. You see, if someone asks you, like what airline do you fly... yeah then we tell them. But you see it’s like any other airline. We get good service... I’m not denying that... but it’s like nothing amazing... what’s there to talk about?

The attitudinally loyal customers were not willing to accept a higher price, and said that they would switch if they found a cheaper alternative. This was an obvious answer as none of the customers felt they got a special service, or that the quality was much better than competitors. This also ties in with the search for alternatives, since most customers search for alternatives, and the main reason for doing so is the price. Hence, these customers did not feel the need to spend more money on Emirates.

The next section looks at the characteristics of emotionally loyal customers. From this point forward, we have “cleaned up” the customer’s comments to make it more readable. We have removed words such as, amm, umm, etc. and also taken out duplicate words. This has been done only to make it easier to read, and has in no way affected the meanings of the customer comments.

4.5.4. Emotionally loyal customers

Emotionally loyal customers had been with the firm for a longer period of time, i.e. at least 5 years. Perceptions of satisfaction also differed between the two types. Emotionally loyal customers seemed to perceive their satisfaction at a higher level, which was denoted by the types of words used to describe their satisfaction. Emotionally loyal customers used words such as good, and very satisfied, to describe their level of satisfaction. Similarly, the quality perception differed between the two types of customers. Emotionally loyal customers thought the quality was “amazing” and “great”. One customer’s comments sums up the view of most of these customers:

We're very happy with Emirates. Always very satisfied with their services and quality. We've enjoyed everything with them. I usually book the hotels through them, my wife does some duty free shopping on board (the flight). We've always found everyone there to be very helpful and polite. They really want to make you satisfied.

In comparison to the competitor's services, customers thought they were getting a much better level of quality. One customer said "we fly with them whenever we can. They're the best. Sometimes we go on a journey that Emirates does not have, with another airline. But none of them have been as good as Emirates."

In terms of memorable experiences, the emotionally loyal customers did not seem to have a single memorable experience, however thought that all of their experiences were memorable, or excellent. Customers perceived getting great services on a constant basis. Some of the customers were surprised by the level of in-flight entertainment, which they thought was more advanced than competitors. One customer was amazed because she missed watching a movie in the cinema, only to find it available to watch in flight. Another customer was delighted because of the pickup and drop service provided by the airline, to and from the airport.

Another interesting factor was the search for alternatives. In the travel firm, emotionally loyal customers did not search for alternatives. However, for the airline, emotionally loyal customers did search for alternatives, but not as actively as the attitudinally loyal customers. One explanation for this is the routes and the destinations that airlines fly to.

Customers who use the services of the travel agency can get any destination they want. However, customers who fly with airlines may not get all of the destinations, or may not have a flight on a particular date to their desired destination. Hence, customers are compelled to find an alternative airline. Therefore the search for alternatives is there, but only if Emirates does not service that particular area. When asked about the approximate time when the customers stopped searching for alternatives, the answer ranged between 4 and 5 years, as one customer said: “oh yeah we stopped looking about 4 or maybe 5 years ago. That was when we knew it was not worth the effort. You don’t want to take a 6 hour flight, only to find that something is not up to standard.”

In terms of bad experiences, or service failures, these customers felt they had never experienced any. Emirates’ emotionally loyal customers felt they never had any bad experiences. These customers could not recall any such bad experience. Most customers said they received a consistently good level of service, without any problems.

Similar to the travel agency, the emotionally loyal customers for the airline were willing to accept higher prices to stay with their airline. They were willing to pay anywhere between 10% and 20% higher than the competition to stay with the airline. Customers said they “loved” the airline and the services were “brilliant”. Customers felt that having the same level of quality was worth paying the extra bit, instead of risking going with another airline.

Another slight difference between the customers of the travel firm and the airline was the percentage of spend with the firm. While emotionally loyal customers of the travel

firm spent 100% of their money with the travel firm, the emotionally loyal customers of the airline spent between 80% and 100% of their total flying budget. This is primarily due to the fact that the airline does not cover all of the routes and destinations that a customer is looking for.

Finally, emotionally loyal customers at Emirates were very vocal about their company. These customers were doing a lot of positive word-of-mouth. “We tell everyone” said one customer. These customers felt really good about their company, and hence felt that they wanted to share the good feeling and the good experiences with their friends and family. Hence, although both the attitudinally loyal and emotionally loyal customers did recommend the company to others, the vigour with which it is done is different for both types of customers. Emotionally loyal customers seem to want to share the info, whereas attitudinally loyal customers will do it if asked. The following table summarizes the differences between the two types of customers at Emirates Airlines.

Customer characteristics	European customers of an airline	
	Attitudinally loyal customers	Emotionally loyal customers
Min. time with the firm	3 years	5 years
Level of satisfaction	Satisfactory	Good
Quality perception	Good	Amazing, Great
Memorable experiences	None	Yes, Many
Bad experiences	Some	None
Search for alternatives	Always	Sometimes
Accept higher costs	Never	Yes, Probably
Percentage of total spend	50-65%	80-100%
Refer to friends & family	Yes, if Asked	Yes

Table 4.2: Characteristics of European customers of an airline

The next section takes a look at the two case studies that pertain to the Asian customers.

4.6. Case 3: Asian customers of a hotel chain (Serena Hotels & Resorts)

4.6.1. Introduction

One of the objectives of this research is to look at cultural differences, if any, in the way customers exhibit and develop emotional loyalty. Pakistan was chosen as the other country besides the UK for a number of reasons. On a scale of collectivism, Pakistan and the UK are ranked in two diverse and opposing categories. Pakistan, like most Asian countries, is a more collectivist society, whereas the UK, like most European countries, is an individualist society, and hence the customer characteristics are bound to

be different (Patterson and Mattila, 2008). Moreover, as a matter of convenience and access Pakistan was chosen for this research. Dubai in particular and UAE in general were also considered for the study, however due to a lack of response from UAE-based companies, Pakistan was chosen as a representative for the current study.

A popular Pakistani hotel and resort chain was chosen for the third case study. Travel operators in Pakistan have not matured as much as in the UK, and only recently have started to develop their business. It was thus not possible to look at tour operators in the country. However, common types of customers were interviewed in both of the case studies (i.e. a UK travel company and Asian hotel). For both of these cases, we examined customers who were leisure travel customers. A hotel company may have business customers, whose characteristics would be different tho travel and tourism customers. It is for this reason that we looked at travel customers from both of these companies.

4.6.2. Customer characteristics

The characteristics of customers for the hotel and resort company were somewhat similar to those of the European travel agency. The customers were “newer” customers as they had been with the firm for a minimum of 2 years. The customers chosen for the study were those who used the hotel for leisure purposes. Initial database analysis did reveal a large number of loyal customers who were business users. These customers were not chosen for the study for a couple of reasons. First, as was revealed in the second case study, a large percentage of business users did not make the purchase decision themselves. It was decided to go for only leisure customers since that

correlated best with the customers of the European travel operator, hence making a comparison between the two more reliable.

4.6.3. Attitudinally loyal customers

The case study revealed that an additional variable was present in the Asian customers, brand image or the status attached to the brand. The hotel chain has 4 and 5 star hotels, thus it will have a higher brand image than most competitors. Many of the attitudinally loyal customers claimed to have purchased because of the image or status of the hotel. One customer commented:

We didn't know which one to go for, at first, but Serena has a good reputation. Everyone knows they have great quality, and all the top people, musicians, politicians and businessmen go there. It has a very good standing, that's why we chose it.

Major differences between the Asian hotel customers and the European travel agency customers included the time spent with the company, which was less for the hotel customers. These were newer customers comparatively. The minimum time spent with Serena Hotels was 2 years for the Asian customers.

Customers of Serena felt that the quality of services they got at Serena and the level of satisfaction were good and on par with the competition. These customers were satisfied with the level of services provided, but did not feel that they were much better than the competition. Customers felt that Serena was better in some areas, whereas other hotels

were better in other areas. Overall, the level of quality was considered to be good. These customers had never experienced any memorable experiences with the firm.

Attitudinally loyal customers had experienced a few service failures; however they felt that the company was good at compensating any failures. One customer described the following story:

One time we were going to Kenya. We booked online with Serena Resorts for 3 rooms for 10 people to stay for seven days. When we got there, they had made a mistake in reservations. They had allocated us rooms with beds for 7 people for 10 days. When we complained they took care of it straight away and shifted us to better rooms without extra charge.

Most of the service failures seem to have been recovered straight away, with a few exceptions. These exceptional cases were not considered by the customers as very important, and hence they continued doing business with Serena.

In terms of searching for alternatives, attitudinally loyal customers were active in searching for alternatives. Customers had a number of “favourite” hotels that they preferred, with Serena being the top one. If they felt the price they were getting was somewhat higher they would seek alternatives. An interesting factor was that customers would often search for competition, only to be able to get a better deal at Serena. As one customer said, “we look at Marriott, Pearl Continental, and others to see what’s the going rate. Then we call Serena to see if they can match or beat that deal. Usually they do it.” However, customers did say they stayed at competing companies’ hotels and

resorts when they found “better” deals. Moreover, they also searched for competition when Serena did not have a hotel or resort in a particular city or country. Consequently, attitudinally loyal customers also purchased less, with their average spend at Serena being between 50% and 60%.

Word-of-mouth for these customers was more active. All of the attitudinally loyal customers said they recommended the hotel to family and friends. They also said they often talked about their experiences staying at the hotels and resorts. When asked about the type of comments they gave about the hotel to others, customers said they told friends that it was good, or some compared the quality to other popular hotels and resorts.

Finally, none of the attitudinally loyal customers said they would pay more to stay with Serena. Customers felt that with so many other good hotels out there, it did not make sense paying more at Serena.

While this section looked at the characteristics of Asian attitudinally loyal customers of Serena Hotels, the next segment will focus on emotionally loyal customers.

4.6.4. Emotionally loyal customers

For the emotionally loyal customers, fewer customers claimed to have purchased only because of the image of the hotel. It was a factor which seemed important initially, however, once the customers became emotionally loyal, they did not think of it as one of the deciding factors. Customers recalled having gone there initially, when they did not

know much about the hotels. One customer commented: “at that time they didn’t have a hotel in Islamabad or Lahore. So I didn’t know what they were like. I was going to Gilgit for the first time, and had heard Serena was good. That’s why I stayed there, but then I liked them.” Therefore, although brand image was important in deciding where to go initially, it did not make a big difference later on. Moreover these emotionally loyal customers had been with the hotel for a minimum of 4 years.

Another difference was the bad experiences that customers had had with the firm. Some of the emotionally loyal customers with the hotel had bad experiences with the firm. Some customers experienced between 1 and 2 negative encounters with the firm during the lifetime, but they thought that these were not significant enough for them to become less loyal. Moreover, these customers appeared to be overwhelmed by the service recovery. One customer narrated the following story:

Three years ago in Tanzania. I wanted to take my whole family for a holiday for a safari. Kenya is more popular for that kind of stuff, but someone told me Tanzania was better. In Tanzania, the shower was not working properly. It was okay, but the water was very slow. So it took like an hour to take a shower. They fixed it after two days. But then they upgraded our safari tour for free. We were very pleased with this. I don’t think anyone else would do this, just for a shower.

For emotionally loyal customers the service failure was met with a response which seemed to be proportionally greater than the failure itself. In some of the service

failures, which did not follow up with service recovery, the customers felt that the failure was too insignificant to have any impact on their perception of the company.

The Asian customers also spent less with this hotel: on average, an emotionally loyal customer spent between 60% and 80% with the hotel. The main reason, as explained by the customers, was that the hotel chain did not have a hotel in every city or country they travelled to, thus customers had no other option but to find an alternative. Search for alternatives was minimal for these customers. They said they never searched for alternatives if Serena had a hotel or resort in a particular destination. In some cases, emotionally loyal customers would call up reservations at Serena for suggestions on a hotel in a city they did not serve.

Emotionally loyal customers claimed to have had memorable experiences. The customers described these as things that were out of the ordinary, things that they would not expect, and pleasant surprises. For one customer the memorable experience was about the efficiency and effectiveness with which everything was done. "I've never seen so many things go exactly according to plan," claimed the customer. For her there was no particular factor that was amazing, just the fact that everything was done professionally was amazing itself.

These customers were active in referring the company to others. While these customers talked about Serena to friends and family, customers said they would tell their friends that Serena is really very good, or "awesome". Similarly, these customers were willing to pay a higher fee to stay with Serena hotels. When asked about approximately how

much they would go up, the response ranged between 10% and 20% higher to stay with Serena than to go elsewhere.

The table below sums up the various characteristics of Serena’s Asian customers.

Customer characteristics	Asian hotel customers	
	Attitudinally loyal customers	Emotionally loyal customers
Min. time with the firm	2 years	4 years
Level of satisfaction	Okay, Satisfactory	Good
Quality perception	Good, Similar to others	Very Good, Excellent
Memorable experiences	None	Some, Yes
Bad experiences	None, Some	None, Some
Search for alternatives	Usually	No
Accept higher costs	Never	Yes, Maybe
Percentage of total spend	50-60%	60-80%
Refer to friends & family	Yes	Yes
Purchase because of brand image	Yes	Used to

Table 4.3: Characteristics of Asian customers of a hotel chain

The next section takes a look at the final case study, which is on Asian customers of Emirates Airlines.

4.7. Case 4: Asian customers of an airline (Emirates Airline)

4.7.1. Introduction

The fourth case study focused on Pakistani customers of the same gulf-based airline company, Emirates, which was used in case two. Studying the customers of the same company would help in generating more reliable findings and allows for a better comparison.

4.7.2. Customer characteristics

Interestingly, the characteristics of the Asian airline customers were quite similar to those of the European customers. They were also similar to the characteristics of the Pakistani hotel customers. The next section looks at some of these similarities and differences.

4.7.3. Attitudinally loyal customers

The fourth case study produced near identical results to the previous three case studies with minor changes. The attitudinally loyal customers had been with the airline for a minimum of 2 years. There were customers who had been with Emirates for up to 5 years and still were attitudinally loyal to the company.

These customers perceived the service quality to be similar to that of the competition. They also did not feel that they had experienced any memorable experiences with the company. Despite this fact, the preference for these customers remained with Emirates Airlines when confronted with two or more similar offers on the same route. In fact,

some of the customers were willing to take a longer flight with Emirates than to go with the competition. For instance one customer said:

I have family in Turkey and visit them every year in the summer. Emirates has a stopover in Dubai. But Turkish Air goes there directly. The price is about the same for two (of the airlines). But I like Emirates because it's good.

These customers had experienced unpleasant services with Emirates during their time with the company. One customer pointed out that call centres in Europe are not as friendly as the ones in Pakistan. The customer said: “they charged me £50 to change my flight from the UK. But when I asked to changed the flight from Pakistan, they allowed me one change for free.” This customer then said that she now makes all changes through the Pakistan call centre. For customers of Emirates, the customers’ service failure did not constitute a major problem. While some were rectified, a majority of the service failures were not dealt with properly. Despite this fact many customers felt that staying with Emirates was their best bet, provided the cost was similar.

Attitudinally loyal customers were willing to recommend the company to others. These customers said that they talked about their trips or tried to bring in the name in their conversations. One of the major factors which seemed to contribute to this was that many of the customers felt that flying with Emirates was a status symbol. These customers felt that brand image of Emirates was a contributing factor in them buying with Emirates. Moreover, the brand image also encouraged them to talk about the

company with friends and family. Nearly all of the attitudinally loyal customers still purchased because of the brand image.

The attitudinally loyal customers were active in searching for alternatives. These customers had a number of favourite airlines, and searched for the best deals among them. Emirates, however, remained the best option out of the various companies. Out of the total spending of their air travel budget, attitudinally loyal customers allocated between 50% and 60% to Emirates. Customers were also forced to look for alternative airlines when flying to destinations not served by Emirates.

Finally, these customers said that they would not pay more money to remain with Emirates. They felt that there were a number of good airlines out there. One customer had this to say:

It's tough out there (economic situation), and the oil is expensive. Prices are going up, but new companies are offering good services. If Emirates charge more then I can fly with Qatar or Etihad or PIA. They all offer good service now. Why should I pay more for the same thing.

None of the attitudinally loyal customers said that they would pay significantly more money to fly with Emirates. When asked to think about a flight to London and asked the same question, a few, however, did say that if the price was between Rupees 2000 and 4000 (about £15-35) more, then they would still consider flying with Emirates on a long flight. The going rate for a return flight at the time was about £550. Meaning that a very minor increase would be acceptable to some, but not anything more.

After having discussed the attributes of attitudinally loyal customers, the next section will look into the characteristics of emotionally loyal customers.

4.7.4. Emotionally loyal customers

Emotionally loyal customers spent a minimum of 5 years with the company and thought that the level of quality offered by the company was very good. These customers feel that they are highly satisfied with the services provided by Emirates. When comparing the level of quality with competition, they thought that Emirates was definitely better than all of the other competitors they had experienced. Furthermore, these customers felt that they could not attain the same high level of satisfaction with any other firm.

Emotionally attached customers felt that they had experienced memorable experiences with this company. These memorable experiences ranged from surprises such as free upgrades, to the speed with which the company reacted to customer needs, or the quality of the flight to the service provided by the employees. One customer who felt they had a memorable experience described it as follows:

Our family was going on a holiday to America. My young son was to join us in Dubai from France, where he was studying. This was the first time he would fly alone. We called them (Emirates) up and told them about the situation. Emirates took care of everything. Someone guided my son in France with his check-ins, and they helped him get on the flight. They really

took care of him during the flight and then when he got to Dubai, they brought him over to us. It was really good to know they take care of you.

As this customer was nervous about her 12 year old son travelling alone, she found the Emirates crew to be very helpful. This changed her mood from being worried to being delighted with Emirates. Similarly, a number of other customers had memorable experience with Emirates. When asked about bad experiences, these customers felt they had never had a bad experience with the firm.

None of the emotionally loyal customers searched for alternatives. They did have to use other airlines for those routes that Emirates did not service, however said they solely fly with Emirates for all the routes that Emirates does. When asked about the time they stopped searching for alternatives, this ranged from 3 to 5 years. The total spending with Emirates ranged between 75% and 100% for customers. Again, this figure included those trips which were not serviced by Emirates, such as domestic flights within Pakistan.

Asked if they recommended the company to family and friends, the answer was a yes from everyone. Customers not only recommended the company, when asked about it, they would try to bring up the company in their conversations. A couple of the customers said that they often discussed their experiences with office colleagues after flying with Emirates. Moreover, these customers were keen to discuss the company, even if the issue had not come up, i.e. they would start the conversation themselves.

Therefore the intensity with which they recommended was considered to be higher than that of attitudinally loyal customers.

In terms of brand image, some of these customers too felt attracted to the company, at first, as a result of the brand image. Customers had seen advertising, or had heard about the company from others. A positive image led them to try out the firm. Moreover, these customers continued to do business with Emirates as a result of the brand image for a while. When asked about the time when they felt that brand image was no longer important, customer responses ranged from 3 to 4 years. Interestingly this is similar to the time that customers stopped searching for alternatives.

Finally, when asked if they would be willing to pay a higher price to fly with Emirates the answer was a yes. Customers felt that if the price increased somewhat, they would still fly with Emirates to get the high level of service they were accustomed to. When asked to elaborate on what customers felt as “somewhat” the figure ranged between 10% and 20%. Hence, if the price increased between 10% and 20% percent, customers would still prefer to fly with Emirates Airlines. The table on the next page summarizes the differences between the types of loyal customers.

Customer characteristics	Asian airline customers	
	Attitudinally loyal customers	Emotionally loyal customers
Min. time with the firm	2 years	5 years
Level of satisfaction	Satisfied	Very Good, Great
Quality perception	Good	Excellent
Memorable experiences	None	Yes
Bad experiences	Yes	None
Search for alternatives	Yes	No
Accept higher costs	No	Yes
Percentage of total spend	50-60%	75-100%
Refer to friends & family	Yes	Yes, Definitely
Purchase because of brand image	Yes	Used to

Table 4.4: Characteristics of Asian customers of an airline company

4.8. Cross-case analysis

After conducting the case studies, and examining each individually, the next phase of the research involved a cross-case analysis. The cross-case analysis was conducted to find the answers to some of the main research objectives, which could not have been answered by looking at individual case studies. In this part of the chapter we will examine the main factors that distinguish the emotionally loyal from attitudinally loyal customers. Moreover, we will also look at the factors that lead customers to become emotionally loyal to a company. Finally, we will examine the cultural differences between Asian and European customers.

4.8.1. Factors that distinguish attitudinally loyal from emotionally loyal customers

This chapter looked at four different cases involving customers of an airline company, a travel agency and a hotel/resort group. Each case study examined the various factors that distinguish emotionally loyal from attitudinally loyal customers. In this part a set of common factors are identified and discussed. These factors help managers and researchers to distinguish between these two types of loyal customers.

4.8.1.1 Quality perception

Quality perception is one of the main factors that distinguish these two types of loyal customers. Attitudinally loyal customers feel they are getting a good level of quality; however they feel that it is not better than that of competitors. The quality usually refers to the overall quality of the products and services being sold by a company. There may be specific products or services which customers feel have better quality than competition, however for attitudinally loyal customers the overall quality is considered to be good but not better than the competition. Emotionally loyal customers feel that the quality of the products or services is great, and feel that it is better than that of competition. For most of these customers the feeling about the quality is for all of the products and services that a firm provides. In every case, customers claimed to be very happy with the quality of the products and services. This is one of the main distinguishing factors between the two types of customers. Emotionally loyal customers have a higher quality perception than attitudinally loyal customers.

4.8.1.2 Level of satisfaction

Next we examine the level of satisfaction with a company. For emotionally loyal customers the level of satisfaction achieved by using the products or services of a firm is very high. These customers feel highly satisfied, to an extent of being delighted. Customers that are attitudinally loyal claim to be satisfied, but feel that there is still room to go. These customers feel that their level of satisfaction is just about at the break-even point, or slightly higher than that. However, they don't feel there is something that will make them go wow.

4.8.1.3 Memorable experiences

A part of satisfaction is memorable experiences. For attitudinally loyal customers no memorable experiences were recallable. These customers felt that they had never had a memorable experience with their firm. In contrast, emotionally loyal customers not only claimed to have had memorable experiences, some of them even claimed to have had many of these. These memorable experiences included pleasant surprises, delightful service, unexpectedly great service recovery, etc. For some of the customers a memorable experience was not something out of the ordinary, but the fact that every single time they interacted with the company, they received great service.

4.8.1.4 Referrals (word-of-mouth)

Both groups of loyal customers claimed to have been referring the company to others. However, there was one main factor that distinguished these two groups: the intensity. Attitudinally loyal customers did refer the company to others but did not seem as active. These customers would recommend only if asked, or if the topic came up in the

conversation. Emotionally loyal customers on the other hand were more vocal about their company. These customers would go out of their way to bring up their company in a conversation. These were the customers who would initiate a conversation about their experiences with a company.

4.8.1.5 Search for alternatives

Yet another important factor was the search for alternatives. Again, in these two categories, there were differences. Attitudinally loyal customers preferred the company they were with, however they would search for alternatives very frequently. For most of the customers this was done nearly every time they purchased. These customers were always on the lookout for a better deal. However, the deal had to be somewhat better than the company they were with. Minor differences were overlooked by attitudinally loyal customers. Emotionally loyal customers were pretty much the opposite. These customers, after a certain period of time, never looked for alternatives. These customers felt that it would be better to stay with this firm than to go elsewhere and take a risk with competition. This is not to say that emotionally loyal customers did not use the services/products of competitors. They would use them if no alternative was available from the firm of their choice. Despite this fact they still felt that it would be better to stick with their main company.

4.8.1.6 Percentage of total spend (share of wallet)

Both of these groups also spent differing amounts of money with the company. Attitudinally loyal customers almost always had a lower percentage of their total spend with the firm. For instance, the range of total spends for attitudinally loyal customers

ranged from 50% to 65% of their total spend. In contrast, emotionally loyal customers spent more of their total spend with their preferred company. This figure ranged between 60% and 100%.

4.8.1.7 Paying higher prices

Another important distinguishing factor between the two types of firms was the acceptance of higher prices. Attitudinally loyal customers were frequently looking for better deals, and always searching for cheaper prices. Hence, they would never accept higher prices with their firm. Emotionally loyal customers felt that it would be a waste of time and too high a risk to go elsewhere and thus would accept reasonably higher prices. For these customers a price increase of up to 20% would be acceptable without any problems. However, this was most certainly not acceptable for the attitudinally loyal customers.

4.8.1.8 Time spent with the firm

The research indicates that there is a difference in the amount of time a customer has been with a firm. Attitudinally loyal customers have been with a firm for a shorter period of time as compared to emotionally loyal customers. These customers had been with the firm for a minimum of 2 to 4 years, whereas the figure for emotionally loyal customers ranged between 4 and 7 years. Another interesting factor, which will be discussed in detail in the next section, is the fact that the emotionally loyal customers claimed to have stopped searching for alternatives. This time frame was around 3 to 5 years for most customers.

4.8.1.9 Service recovery

One final factor that distinguishes the two groups of customers is service recovery. For most of the emotionally loyal customers no poor service was ever provided by the firm. The reason for this could be that despite having a service failure the company may have recovered from it quickly and may have over compensated the failure with a good recovery. Another explanation could be that emotionally loyal customers are more forgiving of mistakes (as discussed in Chapter 2). Hence, they would not consider the mistake to be a problem. There were some customers who did remember a bad service; however they did say that it was later compensated with a good service recovery.

In contrast, the attitudinally loyal customers felt they had suffered poor services and there were a good number of times when these services were not recovered, or the company offered no compensation. Hence, a customer's perception of poor service without service recovery would classify them as attitudinally loyal customers. Customers who perceived to have never had a bad service or had good service recovery would be classified as emotionally loyal customers.

These are the main factors that distinguish the attitudinally loyal from emotionally loyal customers. A comprehensive table that looks at all four of the case studies is presented on the next page. Knowledge of these is important as it could help companies and researchers to begin to create better segments within loyal customers. The next section looks at the factors that would lead customers to move from attitudinal loyalty to emotional loyalty.

Customer characteristics	European travel firm		European airline customers		Asian hotel customers		Asian airline customers	
	Attitudinally loyal customers	Emotionally loyal customers	Attitudinally loyal customers	Emotionally loyal customers	Attitudinally loyal customers	Emotionally loyal customers	Attitudinally loyal customers	Emotionally loyal customers
Min. time with the firm	5 years	7 years	3 years	5 years	2 years	4 years	2 years	5 years
Level of satisfaction	Satisfactory	Good	Satisfactory	Good	Okay, Satisfactory	Good	Satisfied	Very Good, Great
Quality perception	Good	Superb, Brilliant	Good	Amazing, Great	Good, Similar to others	Very Good, Excellent	Good	Excellent
Memorable experiences	None	Yes, Many	None	Yes, Many	None	Some, Yes	None	Yes
Bad experiences	Yes	None	Yes	None	Some	None, Some	Yes	None
Search for alternatives	Always	Never	Always	Sometimes	Usually	No	Yes	No
Accept higher costs	Never	Yes, Probably	Never	Yes, Probably	Never	Yes, Maybe	No	Yes
Percentage of total spend	50-60%	100%	50-65%	80-100%	50-60%	60-80%	50-60%	75-100%
Refer to friends & family	No, Sometimes, Yes	Yes	Yes, if Asked	Yes	Yes	Yes	Yes	Yes, Definitely
Purchase because of brand image	NA	NA	NA	NA	Yes	Used to	Yes	Used to

Table 4.5: Case studies overview

4.8.2. Factors that lead to emotional loyalty

Analyzing the different cases, and doing a comparison with the attitudinally loyal customers a number of factors have been discovered which explain the development of emotional loyalty among customers of service firms. Loyal customers seem to go through various stages before they reach the stage of emotional loyalty. Initially it was found that emotionally loyal customers are often attracted to the firm because of its low prices (at this point these may be behaviourally loyal customers). However, once the customers came to experience the company's services, they stayed on due to the quality of the services and were highly satisfied, perhaps even delighted. However, it appears that these customers did not become emotionally loyal straight away. Customers passed through the stage of being attitudinally loyal for a certain period of time before they went on to become emotionally loyal. The factors that led people to move from an attitudinally loyal to emotionally loyal state include consistently good quality, good service recovery, memorable experiences, and time. Overall, the customers who received consistently good service and were satisfied time after time appeared to have moved into the state of emotional loyalty. Attitudinally loyal customers had complained about not receiving good service quality on more than one occasion. Moreover, attitudinally loyal customers complained that at times nothing was done to solve their problems. Most of the emotionally loyal customers believed that they never had any bad experiences, however those who did, said it was compensated by some sort of satisfactory service recovery. Customers who had shifted to the emotionally loyal stage also quoted memorable experiences with the firm. These memorable experiences were something out of the ordinary that the firm had done, things which the customer was not expecting. Some customers did not remember a particular memorable experience;

however for them to get the same high quality of service every single time was reason enough to say that many of their experiences were memorable.

Perhaps, one of the most important findings of this research is the factor of time. We believe it is one of the factors that leads customers to become emotionally loyal. From the four case studies, not a single customer was discovered who had been with the firm for less than 3 years. Attitudinally loyal customers, it appears had been with the firm for much shorter periods of time. The minimum time for attitudinally loyal customers was 2 years. Hence, it is apparent that customers need to be with the firm for a certain amount of time before they become emotionally attached. The average time is between 3 and 5 years for most customers. For most customers, this critical change was around the time which they stopped searching for alternatives. For customers to stop searching for alternatives, and be willing to pay higher prices is the critical point which separates the attitudinally loyal customers from the emotionally loyal customers. Before that time-frame customers still look for alternatives, and are not willing to pay higher prices. However, after this time, it appears that customers develop emotional attachment to the firm, if the other conditions, listed above, have been fulfilled. For those customers, who have not fulfilled the other factors, such as consistently good quality, or good service recovery, the time to develop emotional loyalty will be longer than 5 years. This is similar to previous research findings. For example, recently Ghauri *et al.* looked at the relationships between suppliers and firms and found that it takes on average 3 to 5 years to develop relationships (Ghauri *et al.*, 2008).

4.8.3. Cultural differences

Next, we look at cultural differences in the way customers exhibit and develop emotional loyalty. The case studies revealed that emotionally loyal customers act in similar ways across cultures (Asian and European), however minor differences do exist. Looking at how customers become emotionally loyal, one of the major differences was that Asian customers considered brand image in addition to pricing to be one of the major factors for choosing the firm in the first place. This factor seems to have played an important role right up until the customer reached the emotional loyalty stage. For Asian customers, the image of the brand was as crucial as the pricing and quality of the services. This is similar to past findings which found that brand reputation is a strong driver of customer loyalty (Andreassen, 1994). The need to show status was hence high on the list for Asian customers; however this did not seem to be as important a factor for European customers.

A minor difference between the Asian and European customers was the fact that some emotionally loyal Asian customers had had bad experiences with the service firm. However, these were limited to one or two per customer, and every time they experienced an unpleasant service encounter, it was compensated by a good level of service recovery. Service recovery included things such as free hotel stays, upgrading to a higher class, and even free airline tickets.

In terms of time, it appears that Asian customers may become emotionally attached much quicker than their European counterparts. Although no major differences were recorded among the airline customers, travel and hotel customers did have a major

difference. Asian customers seem to have developed emotional loyalty after 3 years with the firm, whereas for the European customers this time was 4 years.

4.9. Summary

This chapter looked at four case studies through in-depth interviews with customers who are considered by their firms to be very loyal. In conducting the case study analysis, two distinct groups of customers emerged, the attitudinally loyal and the emotionally loyal. Cross-case analysis revealed that there were several important factors that distinguish these two types of loyal customers. Moreover, the analysis also revealed the journey of a customer in becoming emotionally attached to a firm. Finally, an examination of the cultural differences was undertaken. Understanding these factors is important for firms in dealing with their loyal customers. The study, however, did not uncover one important factor, i.e. how can companies develop emotional loyalty in their firms. The next chapters will look at business orientations and their impact on the development of emotional loyalty within organizations.

Chapter 5: Review of Theory on Business Orientations

5.1. Strategic orientation

The first study, comprising of four case studies, helped to uncover a number of interesting factors, which were discussed in the previous chapter. The study, however, was not able to uncover the managerial factors needed to develop loyalty. The next part of this research will focus on achieving this goal.

From a managerial perspective, a number of strategic orientations have been presented in the literature. Elements of these orientations were also uncovered in the first study. These include, market orientation, quality orientation, service orientation, customer orientation and brand orientation. Literature suggests that it is beneficial for companies to follow these orientations. The benefits outlined in the literature seem to correlate with some of the loyalty literature; however a direct link has not been established.

The next part of this research will focus on a second study, which will be based on these orientations. First a review of literature on these orientations will be discussed. Next, a theoretical model will be developed. This model will then be tested through an empirical based study. Finally, findings of the second study will be presented and discussed.

The next sections will look into the literature of the various orientations in detail.

5.2. Market orientation

Market orientation is closely linked to the marketing concept (Cadogan *et al.*, 2007). Market orientation is a concept which is thought to have its origins in the US (Cross *et al.*, 2007), with the earliest mention of the term in literature dating back to the 1920s (see: Strong, 1925). However, academics believe that this concept was probably in practice by traders around the globe much earlier than that (Gummesson, 1991).

Market orientation (MO) is said to be at the centre of strategy formulation for marketing managers in contemporary businesses (Narver and Slater, 1990). The opposites to MO are production as well as product orientations (Gummesson, 1991). However, academics believe that at this point in time, both types of companies still exist in the world, moreover “even in a single company both extremes might coexist” (Gummesson, 1991).

Unlike sales orientation or product and production orientations, the goal of MO is long-term success (Felton, 1959). MO firms achieve this long-term success by following the three principles of MO, which are: competitor orientation, customer orientation, and interfunctional coordination (Houston, 1986; Kohli and Jaworski, 1990; Narver and Slater, 1990). MO firms have an ability to continuously monitor the changes in the marketplace (Chang and Chen, 1998) and then create unique value added offerings for their customers (Kumar *et al.*, 2000; Ghauri *et al.*, 2008). A MO approach hence means that companies must be “innovative in restructuring the activities in the value chain” (Ghauri *et al.*, 2008).

5.2.1. Definitions of market orientation

Market orientation has been described by various researchers in differing ways. In the most simple of terms, it is defined as a culture which helps organizations in creating and maintaining high levels of value for customers and ultimately creating high returns for the business (Aaker, 1988; Webster, 1988; Kohli and Jaworski, 1990; Peters and Austin, 1985; Shapiro, 1988; Narver and Slater, 1990).

Narver and Slater presented the following definition:

A MO business continuously examines these alternative sources of SCA to see how it can be most effective in creating sustainable superior value for its present and future target buyers (Narver and Slater, 1990).

Narver and Slater looked at three main components which they thought were important for MO. These three components were the foundation for a MO measurement scale they developed (see measurement section):

MO consists of three behavioral components – customer orientation, competitor orientation, and interfunctional coordination – and two decision criteria – long term focus and profitability (Narver and Slater, 1990).

Kohli and Jaworshi developed a similar but varying definition of the concept. They state that market orientation is an:

... 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 (Kohli and Jaworski, 1990).

Chang and Chen present a definition which seems to be based on the Kohli and Jaworski definition:

A market-oriented firm continuously monitors customers' changing needs and attempts to satisfy those needs by modifying its total offerings, while making a profit (Chang and Chen, 1998).

Finally, some researchers use the marketing concept to define MO. For instance Sussan and Johnson believe that MO is when:

Firms that put into practice the marketing concept are said to be "market oriented." Market orientation then is the operationalization of the marketing concept (Sussan and Johnson, 1997).

This opinion is shared by a number of other researchers (for example, Miller, 1992; Lai, 2003). However, the marketing concept is much narrower than market orientation. As pointed out by Narver and Slater, MO not only thinks about the customer (marketing orientation) but goes further by looking at the competition. It is for this reason that we will adopt the Narver and Slater definition of market orientation. The next section will examine the importance of MO in business.

5.2.2. The importance of market orientation

Market orientation (MO) has been found to lead to a number of advantages for companies. For starters, it helps companies in developing greater customer satisfaction as well as increased commitment from employees (Jaworski and Kohli, 1993). MO is also said to lead companies to greater increase in sales (Sussan and Johnson, 1997; Narver and Slater, 1990), return on assets (Narver and Slater, 1990) and profitability, as well as the success of new products (Slater and Narver, 1994). Profitability has also been found to be affected both directly (Narver and Slater 1990), and indirectly through MO (Pelham and Wilson, 1996). Overall, MO is said to help in general business performance (Narver and Slater, 1990; Jaworski and Kohli, 1993; Sussan and Johnson, 1997), and is said to be a key factor in company turnaround (Gummesson, 1991).

Market oriented firms tend have a better understanding of their customers (Pelham and Wilson, 1996). Companies are also better able to react to changes in the marketplace (Wong and Saunders, 1993; Hooley *et al.*, 2000), and hence develop competitive advantages (Day, 1994; Lai, 2003). This is said to lead to better “marketing decision making, resulting in greater sales growth and market share” (Pelham and Wilson, 1996). Some researchers point out that, although MO firms help companies to build a better understanding of customers, they may result in lower levels of short-term profitability (Chang and Chen, 1998; Doyle and Hooley, 1992). However, over the long run, most researchers agree that MO leads to increased profitability, as well as improved market positions (Doyle and Hooley, 1992), and a better competitive advantage (Chang and Chen, 1998).

MO's ability to create a better understanding of customer needs also leads to other advantages. These include the company's efforts to reduce costs as well as their efforts to reduce defects, which lead to lower priced goods at reasonable prices (Pelham and Wilson, 1996). Other benefits include improved efficiency and a reduction in waste, which leads to an improved "competitive advantage" (Chang and Chen, 1998). Furthermore, Jaworski *et al.*, argue that MO companies can even reshape the value chain by eliminating, adding and changing the various organizations involved in the value chain (Jaworski *et al.*, 2000). For example, companies may be able to educate their consumers, resulting in a change in their thinking, or improve their products / services, forcing competition to either do the same or to go out of the marketplace (Ghauri *et al.*, 2008).

MO firms also have an extensive impact on new product or service development. For instance, Lonial *et al.* found in a study on hospitals, that MO hospitals performed better when it came to new service development (Lonial *et al.*, 2008). This also leads to better financial performance, and the overall success of an organization (Halliday, 2002; Lonial *et al.*, 2008). Furthermore, the failure of new products is said to be decreased as a result of MO (Cooper, 1984; Pelham and Wilson, 1996; Slater and Narver, 1994).

Literature often refers to IKEA as a good example of a market driving firm (Carrillat *et al.*, 2004; Jaworski *et al.*, 2000; Kumar, 1997; Kumar *et al.*, 2000; Ghauri *et al.*, 2008).

Research also indicates that being a MO firm is an important factor, regardless of the state of the market. For instance, Jaworski and Kohli found that MO is important for the

success of an organization, “regardless of the market turbulence, competitive intensity, or the technological turbulence of the environment in which it operates” (Jaworski and Kohli, 1993). Some researchers have discovered that MO is extremely important for those companies that operate in environments that have high market and technological turbulence (Slater and Narver, 1994; Greenley, 1995; Doyle and Wong, 1996; Cadogan *et al.*, 1998). Hence, managers that operate in such markets need to pay more attention to MO (Gray *et al.*, 1998). Similarly, research has discovered that MO is important for commodity as well as non-commodity businesses (Narver and Slater, 1990).

Hooley *et al.* (2000) conducted a study which examined the various economies of Europe. In particular, they examined the transitional developing economies compared to the developed economies of Western Europe. They found that MO is important to companies operating in not only the developed, but also the developing economies (Hooley *et al.*, 2000).

Finally, researchers examined the role of MO to small businesses as well its role in quality perception among customers. MO has a “significant” and positive effect on perception of the “level of relative product quality” (Pelham and Wilson, 1996). Furthermore, MO also has a positive effect on the profitability of small firms (Pelham and Wilson, 1996; Slater and Narver, 1996). It has also been found that in some cases, highly market oriented small companies tend to be more successful than the larger ones (Slater and Narver, 1999).

These findings suggest that MO is an important strategic element which has a positive effect on all types of companies operating in all types of environments. Furthermore, companies that operate in turbulent markets should not criticize, and should concentrate more on MO in order to achieve success. The next section examines some of the antecedents that research has uncovered, which would lead to the development of MO in a firm.

5.2.3. Antecedents of market orientation

What does it take to develop market orientation in a firm? Various researchers have looked into this problem and have discovered some important factors. Early research points to having the entire organization work towards MO (Webster, 1988). This means that companies need to ensure that all of its employees, as well as other 'capital resources', must work towards the achievement of MO in the firm. Not only does a company need to focus on its internal resources, but it also needs to make long term relationships with its other elements in the supply chain, such as the buyers (Narver and Slater, 1990). Furthermore, it has been argued that the senior managers need to take an interest and be MO focused, in order for a company to become a fully market oriented firm (Jaworski and Kohli, 1993). Managers should not only be focused towards MO but also be willing to take risks. Besides senior manager support, within a firm, the manner in which the various departments interact also plays a crucial role in the success of MO (Jaworski and Kohli, 1993). These two factors have been agreed to by later researchers, who thought that management style and interfunctional communications were important factors in determining the success or failure of MO of a firm (Yarbrough and Stassen, 1994; Sussan and Johnson, 1997).

This section looked into the factors that lead companies to develop MO. We also need to examine how researchers have gone about measuring the MO of a firm. The next section will look into this factor in detail.

Measuring market orientation

A number of researchers have taken different approaches to measuring the level of market orientation in a firm. This has varied due to the definitions of MO adopted by these researchers, and the type of data these researchers were hoping to collect. A very simple method was one developed by the executive training centre at INSEAD. They devised four statements which could be used to measure MO:

- *Creating a marketing culture throughout the organization.*
- *Adapting company structure to evolve changes in market strategies.*
- *Recruiting and maintaining the necessary quality of marketing professionals.*
- *Improving the interface between marketing and technological resources.*

(Quoted in: Gummesson, 1991)

However, two more detailed approaches emerged during the 1990s. One of these approaches was by Jaworshi and Kohl (Kohli and Jaworski, 1990; Kohli *et al.*, 1993; Jaworski and Kohli, 1993; Jaworski and Kohli, 1996). Their approach was based on their definition of market orientation, i.e. “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” (Kohli and

Jaworski, 1990). A second approach was developed by Narver and Slater, based on three behavioural components, customer orientation, competitor orientation and interfunctional coordination (Narver and Slater, 1990; Slater and Narver, 1994; 1995; 1996). Researchers have favoured using the Narver and Slater scale for a number of reasons. It is considered to be “conceptually and operationally appealing” (Hooley *et al.*, 2000). This scale not only takes into account the factors that Kohli and Jaworski talked about, but goes one step further by examining the cultural factors involved in an organization (Deshpande *et al.*, 1993; Hunt and Morgan, 1995). Moreover, it has been noticed that the Kohli and Jaworski scale does not really look at market orientation, rather, it focuses on marketing orientation (Wrenn, 1997). The Narver and Slater scale is made of the following components:

- Customer orientation
 - Customer commitment
 - Create customer value
 - Understand customer needs
 - Customer satisfaction objectives
 - Measure customer satisfaction
 - After-sales service.

- Competitor orientation
 - Salespeople share competitor information
 - Respond rapidly to competitors’ actions
 - Top management discuss competitors’ strategies
 - Target opportunities for competitive advantage.

- Interfunctional coordination
 - Interfunctional customer calls
 - Information shared among functions
 - Functional integration in strategy
 - All functions contribute to customer value
 - Share resources with other business units.

Source: Narver and Slater (1990)

The Narver and Slater scale has been used by numerous researchers since its introduction. For instance, Hooley et al. (2000) used it to create the following items to measure market orientation:

- Our commitment to serving customer needs is closely monitored.
- Sales people share information about competitors.
- Our objectives and strategies are driven by the creation of customer satisfaction.
- We achieve rapid response to competitive actions.
- Top management regularly visits important customers.
- Information about customers is freely communicated throughout the company.
- Competitive strategies are based on understanding customer needs.
- Business functions are integrated to serve market needs .
- Customer satisfaction is frequently assessed.
- Close attention is given to after sales service.
- Top management regularly discuss competitors' strengths and weaknesses.
- Our managers understand how employees can contribute to value for customers.

- Customers are targeted when we have an opportunity for competitive advantage.

Source: (Hooley *et al.*, 2000).

5.2.4. Market orientation's role: the development of customer loyalty

This chapter has thus far focused on looking at the benefits of market orientation in relation to business performance; however, the key factor of customer loyalty has been overlooked. This section sheds light on some of the research related to customer loyalty, relative to market orientation.

Much of the research into MO has focused on business performance as a whole, and not looked at customer loyalty in particular. However, there has been some research which has looked at the relationship between these two variables. Gummesson (1991) said that MO helps companies to influence their customers' current as well as future purchases. The reference to future purchases reflects the loyalty element. Pelham and Wilson (1996) elaborated this fact by discussing the relationship in detail. They said that since MO firms monitor customers, and thus look at customer satisfaction levels they try to make sure that customers are satisfied, which in turn leads to customer retention (Pelham and Wilson, 1996). Customer retention, in this case has been referred to as the customer loyalty element. Other researchers believe that MO firms do not profit in the short-term, rather, in the long-term they are able to achieve profitability through higher quality products / services (Zeithaml *et al.*, 1990). It is this superior quality, which in the long run leads to customer loyalty (Chang and Chen, 1998). More recent research also confirms these findings (Ghauri *et al.*, 2008).

These sections have examined the various merits of market orientation. However, there are some shortfalls in using this strategic orientation for a firm. The next section examines the roles of other orientations relative to market orientation, and why some researchers believe that we need to examine other strategic orientations in addition to MO.

5.2.5. The role of other strategic orientations

Researchers have examined the roles of other orientations, in addition to MO, for an organization's success. In the past, marketing research has focused on factors such as the product (Buzzell and Gale, 1987; Garvin, 1988), service quality (Zeithaml *et al.*, 1990), and the relationship these two have with the success of businesses (Buzzell and Gale, 1987; Phillips *et al.*, 1983). Researchers have also called on examining quality, and adopting a quality orientation in addition to a market orientation (for example, Sussan and Johnson, 1997; Mohr-Jackson, 1998; Zeithaml *et al.*, 1990). Sussan and Johnson (1997) say that MO and total quality management are needed to make sure that customers get the best quality product. Similarly, Zairi and Youssef (1995) found that focusing on the customer (i.e. MO) requires other elements, "quality, flexibility and cost efficiency" for the success of an organization (Zairi and Youssef, 1995). In another study, it was found that MO has an impact on service quality, and vice versa (Chang and Chen, 1998). Researchers agree with the notion that together these two have a positive impact on business performance (Chang and Chen, 1998; Lai and Cheng, 2005). Like a number of researchers, Zhou *et al.* (2008) talked about MO as not being the only element that leads to 'superior performance.' According to them, MO works in

conjunction with employee satisfaction as well as the quality of products (Zhou *et al.*, 2008).

Some researchers have come to the conclusion that the orientation of business is not the important factor, rather it is the environment in which they operate, that dictates their success or demise (Berthon *et al.*, 2004). Overall research points to the fact that market orientation may be important, but may not be the only orientation required for the success of an organization. Furthermore, various “business orientations may coexist” in the same firm (Hooley *et al.*, 2000).

5.3. Customer orientation

There seems to be confusion about the term customer orientation (Gummesson, 2008). Some researchers believe that customer orientation is the same as market orientation. While others believe that the two are different terms, with market orientation being the larger concept, which includes customer as well as competitor orientations (Gummesson, 2008). This chapter will look at customer orientation (CO), and discuss its definitions, its benefits, and its link with loyalty.

The idea of CO dates as far back as the 1960s, when Levitt (1960) said that the main objective of any firm is to create satisfied customers (Lengnick-Hall, 1996). The concept of customer satisfaction is still one the central pillars of CO, where it is thought that satisfied customers will lead companies to success (Huang and Dastmalchian, 2006). Hence, the focus of strategic managers is supposed to be on customers (Webster,

1988; Appiah-Adu and Singh, 1998) since customers are, after all, the main reason for the existence of any organization (Lozano, 2000).

In today's fast changing world, the customer is changing very rapidly. Customers are becoming more educated, and thus have more knowledge about quality, competitors, etc. (Bounds *et al.*, 1994; Lengnick-Hall, 1996). The age of information technology and especially the Internet is allowing customers to look at and compare the prices, functions, and features of various products with the click of a button. This has led customers to become more demanding in the types of products and services they expect from companies (Ruekert, 1992; Appiah-Adu and Singh, 1998). It is therefore imperative that companies truly focus on the customer, and not just use CO as a "commodity" (Gummesson, 2008). Gummesson (2008) believes that most organizations have been only talking about CO, rather than truly implementing it.

Customer orientation today means that companies not only focus on the customer, but also recognize them as key stakeholders (Grant *et al.*, 1994; Schuler and Harris, 1992; Lengnick-Hall, 1996). It also means that companies are now trying to make sure that they give their customers "value for money" instead of merely talking about CO (Gummesson, 2008). From the services perspective it is even more important, as the service provider (employees) need to be an integral part of CO (Lawler *et al.*, 1992; Daniel and Darby, 1997).

The next segment of this chapter looks at the various definitions of CO, as presented in the literature.

5.3.1. Definitions of customer orientation

A number of definitions of customer orientation have been presented in the literature. Some of the key definitions are discussed in this section. One of the earlier definitions was presented by Shapiro who said that CO is the focus on the “dissemination of information” on customers throughout the organization, as well as a commitment to CO within the whole organization (Shapiro, 1988). Narver and Slater agreed with this definition, and added that “CO is the sufficient understanding of one’s target buyers to be able to create superior value for them continuously” (Narver and Slater, 1990). Furthermore, it has been stated that CO also involves the knowledge of a customer’s value chain (Day and Wensley, 1988) in the present, as well as what it may be like in the future (Narver and Slater, 1990).

Deshpande *et al.* described CO in terms of its priority in relation to other stakeholders in an organization:

The 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 (Deshpande et al., 1993).

Kotler and Andreasen presented a definition of customer loyalty, which seems to be in line with those presented earlier. They believe that CO is a strategy that says:

... success will come to that organization which best determines the perceptions, needs, and wants of target markets and satisfies them through

the design, communication, pricing and delivery of appropriate and competitively viable offerings (Kotler and Andreasen, 1996 in Judd, 2003).

Daniel and Darby presented a simpler definition of the concept:

Customer orientation is conceptualized as the ability of the service provider to adjust to his/her service to take account of the circumstances of the customer (Daniel and Darby, 1997).

Finally, more recently, Zairi presented a definition which takes into account the various definitions of CO:

Customer focused means that we are attempting to get closer to our customers, know them better, be clearer about their needs, be aware of what concerns they may have, and have a feel for their future needs (Zairi, 2000).

Unlike the definition for market orientation, customer orientation's definitions do not have too many deviations. The definitions presented here tend to agree on similar areas and factors. Next we will examine the importance of CO for businesses.

Customer orientation in the supply chain is defined as the degree to which a supply chain focuses on customers and recognizes their desires, placing first priority on meeting their needs with superior products or services through collaboration with other supply chain partners (Jeong and Hong, 2007).

5.3.2. The importance of customer orientation

Like market orientation, research has found that CO, too, has proven to be beneficial to organizations. CO leads to satisfied customers, which results in customers sharing positive word-of-mouth (Zairi, 2000). Implementing CO leads to other overall benefits for organizations. Being customer oriented can help companies achieve better performance (Porter, 1985; Donovan *et al.*, 2004; Henning-Thurau, 2004), and make improvements in service quality (Zairi, 2000). Companies not only achieve a higher degree of performance, but are able to maintain a “sustainable” high-level performance (Appiah-Adu and Singh, 1998). For example, research among Japanese firms (Deshpande *et al.*, 1993) shows that those companies that are customer oriented achieve a higher level of performance than those that are not customer oriented. Similarly, in other research it was found that America’s top firms were those which were customer oriented (Peters and Waterman, 1982; Huang and Dastmalchian, 2006).

Generally CO firms are said to be “better off” than competitors (Shah *et al.*, 2006; Gummesson, 2008). Companies experience higher levels of profits (Donaldson, 1993; Narver and Slater, 1990; Huang and Dastmalchian, 2006) and are able to achieve a competitive advantage (Williamson, 1991; Hall, 1992; Ganesan, 1994; Nwankwo, 1995).

In terms of the importance of CO, compared to other components of market orientation, it has been found to be the most important out of the three factors, (Hall, 1999; Deshpande *et al.*, 1993; Narver and Slater, 1990; Perreault and McCarthy, 1997; Hajjat, 2002). Furthermore, CO has also been found to impact on job performance in a number

of different areas (Saxe and Weitz, 1982; Babin and Boles, 1996; Boles *et al.*, 2001; Joshi and Randall, 2001; Knight *et al.*, 2007).

Not implementing CO or implementing it in the wrong manner can have negative consequences for organizations. Nwankwo states that misinterpreting CO can actually lead companies to problems (Nwankwo, 1995). As an example, Jaiswal found that the poor quality of Indian call centres has been attributed to a lack of customer orientation (Jaiswal, 2008). Since CO can help build customer retention, Zairi argues that companies need to think about the costs involved in recruiting new customers, which can be as much as 25 per cent higher than keeping an existing customer (Zairi, 2000).

Research has also looked at the customer orientation of salespeople, and the benefits shown for organizations. Selling orientation can help salespeople bring in higher sales in the short-term. However, Knight *et al.* (2007), who have carried out research on this matter, found that in the short-term salespeople may have to forgo profits, however, in the long run, being customer oriented helps develop customer loyalty. Moreover, it was discovered that salespeople who were customer oriented, actually performed at higher levels than those who were sales oriented (Knight *et al.*, 2007).

Hence, we can conclude that customer orientation can bring about a number of benefits to an organization. These benefits can be brought in both cases: when salespeople are customer oriented, and when the whole company is customer oriented. The next segment will discuss some of the antecedents of customer orientation.

5.3.3. Antecedents of customer orientation

A number of researchers have discussed factors and variables which would lead companies to develop a customer oriented approach. Within this area, there are two philosophies: one which looks at the company as a whole, and the other that focuses on service employees specifically. Out of those who look at the company as a whole, Zairi has offered us three main drivers of customer orientation in a firm:

- *The first stage is perhaps to learn to know who the customer is and use a wide variety of means to gather information on all our customers.*
- *Lean about market dynamics, competition, threats and opportunities amongst other things.*
- *What is required of us, what pressures are on us and what will help in deciding on how we should go about creating focus on our customers.*

Zairi (2000)

Karvinen and Bennet too follow a strategic approach to defining variables that affect customer orientation of a firm. Their variables seem to be correlated closely to the drivers discussed by Zairi. They have found five main categories of variables that affect the CO of a firm:

- Leadership
- Understanding of dynamic environment
- Organizational culture
- Commitment to quality improvement
- Learning. (Karvinen and Bennet, 2006)

Zairi's drivers and Karvinen and Bennet's categories are more on a strategic level and deal with the overall factors that are of importance. Others have looked at some of the individual factors. More specifically, researchers have talked about the orientation of service employees as being more important than the orientation of the firm (Cross et al, 2007).

Some researchers have discussed the "quality of service employees" as being an important factor (Bowen and Schneider, 1985; Bitner *et al.*, 1990; Bove and Johnson, 2000; Sergeant and Frenkel, 2000; Henning-Thurau, 2004). The quality has been later explained by Henning-Thurau as the following elements:

Service employees' customer orientation (COSE), namely technical skills, social skills, motivation, and decision-making authority, the findings illustrate that especially the employees' social skills and their motivation to fulfill customer needs exert a strong influence on satisfaction and commitment and therefore the development of stable relationships with customers (Henning-Thurau, 2004).

The importance, and focus on service employees has also been discussed by other researchers. For instance, Judd recommends that employees be given more power and that this power should be made a part of the strategic planning (Judd, 2003). Wetzels *et al.* (2000) focused on the "attitudes and behavior of the retail salespeople" as important factors. Knight *et al.* (2007) talked about having clear roles for employees. They believe that companies need to focus on factors such as job role, clarity of the role, and

avoiding conflicts among these goals. Parasuraman *et al.* (1985) looked at the specific attributes that employees need to exhibit, which include factors such as being empathetic, courteous and responsive to the needs of the customer. Furthermore, researchers have discussed the need for employees to focus on the needs of customers (Harris *et al.*, 2005; Saxe and Weitz, 1982).

This section has looked at factors, drivers, and variables that companies should follow in order to become customer oriented. The next segment will discuss methods developed that will assist managers and researchers to measure the level of customer orientation of a firm.

5.3.4. Measuring customer orientation

The first line of contact with a firm, for a customer, is the salesperson. In service organizations, the salesperson is also the one who is providing the service, hence the producer. Based on this theory, Saxe and Weitz (1982) developed a sale orientation customer orientation (SOCO) scale to measure the level of customer orientation of salespeople (Daniel and Darby, 1997). The SOCO scale has been used by numerous researchers to measure the self-assessed level of customer orientation in both service and non-service firms (for example, Hoffman and Ingram, 1991; Honeycutt *et al.*, 1995; Howe *et al.*, 1994; O'Hara *et al.*, 1991; Siguaw *et al.*, 1994; Siguaw and Honeycutt, 1995; Swenson and Herche, 1994; Daniel and Darby, 1997).

However, other researchers argued for the use of a broader approach, which not only looks at the employees, but other factors within the organization. Hajjat (2002) used one such tool:

Variable	Statement
1	Customers play a consultative role in the selling process.
2	Customers are not promised more than can be delivered.
3	Employees understand what product attributes customers value most.
4	Customers are given information that helps in developing realistic expectations.
5	Employees go beyond the normal call of duty to please customers.
6	The company has a system for monitoring, analyzing, and solving customer problems.
7	Customers can raise complaints very easily.
8	Information is continually sought and collected from customers.
9	Policies and procedures that do not create value for customers are eliminated.
10	Employees understand the company mission and objectives.
11	Customer needs take precedence over company internal needs.
12	Employees are given adequate resources to meet customer needs.
13	Customers' input and feedback are used into the product development process.
14	The company continually improves technologies, processes, and products.
15	The company continually reduces research and development cycle time.
16	The company continually invests in developing new ideas.
17	Management considers constant innovation a key to obtaining and sustaining competitive advantage.

Table 5.1: 17-statement CUSTOR variables (adapted from Hajjat, 2002)

The CUSTOR scale used by Hajjat seems to be a more comprehensive and appropriate method for measuring customer orientation. This scale is more useful since it covers the employee's perspective, as well as incorporating other company-wide variables.

After having looked at the benefits of customer orientation, next we will examine the role of customer orientation relative to other strategic orientations.

5.3.5. The role of other strategic orientations

While some research has pointed towards CO being a factor that leads companies towards profitability, other research indicates that it may not be the only factor. Zairi states that CO is only “a bare necessity” or “a statement of intent”, and that it is only the starting point (Zairi, 2000). CO seems to be linked to other variables such as marketing and TQM (Karvinen and Bennet, 2006). Research has also compared the CO with innovation (Sussan and Johnson, 1997). In some cases, both of these have said to lead to the success of organizations (Deshpande *et al.*, 1993) . In other instances, companies that have focused only on innovation have succeeded. The example of 3M is given (Berthon *et al.*, 2004) as a successful company that has focused on innovation as the key to its success (Lehr, 1980). One of the reasons why researchers believe that innovation may be a necessary element is that perhaps customer oriented companies sometimes get too close to the customer (MacDonald, 1995) and lose sight of what competition is doing, and thus lose their competitive edge.

Customer orientation also has a link with market orientation. The next segment looks into the relationship between the two.

5.3.6. The relationship with market orientation

Customer orientation and market orientation have an interesting relationship. Two philosophies exist on dealing with CO and MO. One believes that CO and MO are the same, while the other believes that there are differences between the two. This segment will focus on the ideas and theories behind these the philosophies.

Researchers have argued that CO and MO are the same (Shapiro, 1988; Webster, 1988; Deshpande *et al.*, 1993; Nwankwo, 1995; Deshpande and Farley, 1999; Heartline *et al.*, 2000; Brady and Cronin, 2001; Saura *et al.*, 2005; Karvinen and Bennet, 2006). The reasons they give are simple. First, it is believed that both CO and MO have the same goal, i.e. to put the customer first, hence, they believe that both are the same (Felton, 1959; McGee and Spiro, 1988; Nwankwo, 1995).

Other researchers believe that there are differences between CO and MO (Shapiro, 1988; Appiah-Adu and Singh, 1998; Jones *et al.*, 2003). Cross *et al.* (2007) believe that MO reflects a philosophy which encompasses the whole company, whereas customer orientation is individually focused. Slater and Narver (1998) discussed the differences between customer orientation and market orientation. In Table 5.2 (below) they outline these differences:

	Customer-led	Market-oriented
Strategic orientation	Expressed wants	Latent needs
Adjustment style	Responsive	Proactive
Temporal focus	Short-term	Long-term
Objective	Customer satisfaction	Customer observation
Learning types	Adaptive	Generative
Learning processes	Customer surveys	Customer observation
	Key account relationships	Lead-user relationships
	Focus groups	Continuous
	Concept testing	experimentation
		Selective partnering

Table 5.2: Key differences between customer-led and market-oriented (Slater and Narver, 1998)

Customer orientation is said to be a short-term philosophy, which only looks at the “expressed” wants of the customer. Market orientation, on the other hand looks at the longer term needs and wants of customers. Although customer orientation may lead customers to become loyal, the goal of CO is customer satisfaction. Research has shown that customer satisfaction does not lead to loyalty (see Chapters 2, 3 and 4 – customer satisfaction).

Customer oriented organizations might work with some key customers to find out what they want, however market oriented businesses not only look at all of its customers, but also potential customers (von Hippel, 1986). Retail banking is said to be a success story, in terms of the customer orientation philosophy, where banks develop close relationships with their important customers (Timewell, 1994). These banks have been successful in

serving these valuable customers (Anonymous, 1996), who may provide up to 80% of a bank's business. Other companies, and even other banks, may not benefit from this strategy in the long run. It seems to be a short-term strategy, according to Slater and Narver (1998), which adapts to the customer needs (Senge, 1990), instead of working ahead of time and generating the products and services that customers require.

Customer orientation has been criticized for being short-sighted. It is believed that due to its short-term focus, customer orientation has led companies to develop unwanted products (Bennett and Cooper, 1979; Hamel and Prashalad, 1994), conduct poor quality research (Frosch, 1996; Christensen and Bower, 1996), become confused in the working of its processes (MacDonald, 1995), and over decrease the competitiveness of firms (Hayes and Wheelwright, 1984; Slater and Narver, 1998).

On the other hand, a market oriented firm has a longer term focus. Market oriented companies not only research current, but also prospective customers. These companies also work with lead users (Tabrizi and Walleigh, 1997), however, the goal is to listen to everyone and not just a select group of customers. This is an important factor if companies want to innovate (Senge, 1990).

Examples of successful companies include, Corning, General Electric (GE) as well as the Motorola Corporation; these have all been able to hold on to their positions in the marketplace due to their market oriented approach (Morone, 1993; Leonard-Barton, 1995; Lynn *et al.*, 1996).

Hence, we will consider market orientation and customer orientation to be two separate concepts. Despite the shortfalls of customer orientation, it has some benefits to organizations. Besides the benefits discussed earlier in this chapter, another key benefit has been found to be the development of customer loyalty. The next segment sheds more light on this topic.

5.3.7. Customer orientation's role in the development of customer loyalty

There appears to be a positive link between the customer orientation of a firm and customer loyalty. Some researchers have found that various aspects of customer loyalty increase as a result of customer orientation. Trust, which is one of these aspects, is a result of customer orientation according to Huang and Dastmalchian (2006). Another variable, positive word-of-mouth (WOM) has also been shown to have increased due to the customer orientation of a firm (Zairi, 2000; Henning-Thurau *et al.*, 2002; Macintosh, 2007). Researchers have also found a positive link directly between customer orientation and customer loyalty in a firm (Henning-Thurau *et al.*, 2002; Huang and Dastmalchian, 2006; Macintosh, 2007). Employees who are customer oriented also help to bring about increased levels of customer loyalty within an organization (Saxe and Weitz, 1982; Knight *et al.*, 2007).

It is interesting to note that customer orientation too helps companies build customer loyalty. This chapter has looked at and discussed customer orientation in detail. The next chapter will focus on quality orientation, and its role in the development of customer loyalty.

5.4. Quality orientation

Quality within the business framework was made popular by the works of several gurus of quality. These gurus included Crosby, Juran and Deming. Much of the quality literature today is based on their works. Juran thought that the best way to maintain a high level of quality was through the use of statistical tools (Juran, 1951). Dr. David Juran believed that quality was not something for the quality inspectors only, and managers needed to focus on quality (Kruger, 1998). He defined quality as “fitness for use” (Juran, 1992).

Crosby, on the other hand thought the best approach to quality was through changing the culture of organizations, and propagated “cost of quality” philosophy which focuses on reducing the costs of production through implementing quality programmes (Crosby, 1979). According to Crosby, quality is conformation to requirements (Sussan and Johnson, 1997).

Deming had a slightly different approach to these two (Deming, 1982). He stressed the need for companies to focus on factors ranging from top management to empowerment, teamwork and continuous improvement. For Deming, quality was considered to be a reduction in variation (Sussan and Johnson, 1997).

Quality orientation today has been transformed into the widely accepted framework of Total Quality Management (TQM). TQM became popular in the 1980s first in Japan, where it was known as *Kaizen*, and later in the United States and the rest of the world.

TQM's main philosophy merges the concepts propagated by the three gurus on quality into a more comprehensive framework. TQM, whose goal is to satisfy the needs of the customer (Christopher *et al.*, 1995) states that companies should try to offer quality goods through continuous improvement in every phase, every process, every part and every step of the business (Churchill and Peter, 1994).

More recently, different countries have adopted various quality awards to judge the quality orientation of firms. These quality awards have become a symbol of status for many organizations, and many of them set their criteria as benchmarks to achieve high levels of quality. For instance, the most popular of these are the Malcolm Baldrige National Quality Award (Baldrige) in the US, and the European version called the EQA (Thiagarajan and Zairi, 1998). Both awards focus on several key areas of quality, including: "top management take responsibility for creating the enabling environment for quality; aligning employee active involvement to corporate expectations; maximizing employee involvement; creation of continuous improvement ethics; emphasis on management by fact; importance of external customer focus; having a system for measuring key indicators and benchmarking and self-assessment are-carried out" (Thiagarajan and Zairi, 1998).

5.4.1. Definitions of quality orientation

Just as differing researchers have presented various ideas about quality orientation, so too we have a number of different ways of defining quality orientation. The first definition is one which has been presented by Sethi (2000). According to Sethi, quality orientation (QO) is the:

... extent to which a firm lays emphasis on quality, creates a commitment to quality among its employees, and practices total quality management (Sethi, 2000).

As discussed in the introduction, quality orientation has taken on a new form called TQM. Hence, we find that new gurus of quality talk about TQM as the main driving force behind QO. According to Zairi, TQM has been defined as:

A positive attempt by the organizations concerned to improve structural, infrastructural, attitudinal, behavioural and methodological ways of delivering to the end customer, with emphasis on: consistency, improvements in quality, competitive enhancements all with the aim of satisfying or delighting the end customer (Zairi et al., 1994).

Zairi has presented a fresh perspective on TQM, which seems to incorporate much of the other theories, and at the same time progress the philosophy behind TQM to a new level. Other researchers, too, have presented their own definitions of what TQM means to them. Some are discussed in the following paragraphs.

Gummesson, who looked at TQM from a marketing specialist's perspective said that TQM helps to integrate production and marketing orientations. Gummesson has defined TQM as follows:

Total quality is viewed as customer perceived quality incorporating the internal capabilities of managing quality and the consideration of customer

needs and customer satisfaction; quality has become a part of marketing-orientation (Gummesson, 1991).

Bowen and Lawler (1992) said that quality orientation's focus includes, improving the "technical systems" of organizations. They believe QO factors such as "process, product, and innovation" are of importance. This view has been shared to a certain degree by Mohr-Jackson. However, the people element is added in Mohr-Jackson's definition. QO is said to focus on "customer-perceived quality" as well as customer satisfaction (Mohr-Jackson, 1998b). This involves looking at the business processes which include variables such as people, methods, environment, materials, and equipment. The notion that TQM includes both people and systems has been agreed by other researchers as well (Kruger, 1998). Kruger believes that TQM involves "social systems" related to the people within organizations. Hence factors such as, "value systems, commitment, motivation, involvement, trust, recognition, empowerment, and other aspects" must be examined (Kruger, 1998).

Several key factors have been identified by the definitions presented here. In order for us to understand QO in more depth we need to assess its antecedents. The next section will discuss these in detail.

5.4.2. Antecedents of quality orientation

What is required for companies to be able to follow the QO or TQM philosophy? In line with the definitions presented, researchers have described antecedents. Mohr-Jackson (1998b) believes that there are 12 such antecedents:

- Senior management involvement
- Senior management consistency
- Participative management
- Proficiency of the process management
- Internal customer satisfaction
- Reliance of HR policies on factors
- Empowerment
- Integration of total quality within plan
- Reliance on meaningful data
- Continuous measurement process
- Reliance on process and results
- Sophisticated processes for determining customer needs

These twelve antecedents can be categorized into four major categories: human resources, leadership, process management, and strategic planning. These are required for a company to be able to implement TQM (Mohr-Jackson, 1998b). Other researchers have agreed with either some or all of these factors. For instance, Kruger believes that people (or human resources) are key to the success of a company (Kruger, 1998). This fact was also proven in a study which questioned senior managers from various firms in the United States. Senior managers thought that human resources are highly important for the implementation of TQM within an organization (Bowen and Lawler, 1992). Zairi *et al.* (1994) agree that leadership, or the commitment of senior executives is highly crucial to the success of implementing TQM (Zairi *et al.*, 1994). Finally, Sinclair

and Zairi (2000) believe that not only do companies need to implement these variables, but also it is highly imperative that they regularly monitor performance, and accordingly bring about continuous improvements for TQM to be successful.

5.4.3. Importance of quality orientation to businesses

Research has shown numerous benefits for quality orientation within an organization. Millar believes that “there will be two types of companies in the future – companies which have implemented total quality management and companies which are out of business” (Millar, 1987). Over twenty years later we can see that this statement was perhaps extreme; however, there is some truth in it. Overall it is said to lead to a company towards profitability (Tunks, 1992; Sussan and Johnson, 1997). TQM is said to help organizations initiate a short-term increase in profitability and initiate growth within the organization (Zairi *et al.*, 1994). In the longer term, their market share increases more than those companies not following TQM (Tunks, 1992; Sussan and Johnson, 1997). Other profitability factors which are positively affected include return on investment, sales growth and volume (Mohr-Jackson, 1998b).

It is also beneficial to companies, since it helps to improve the overall performance of firms (Chang and Chen, 1998; Mohr-Jackson, 1998b; Fuentes-Fuentes *et al.*, 2004; Rönnbäck and Witell, 2008). In a study of 1,300 international firms Calantone and Knight (2000) found that being quality oriented had a significant impact on firms’ overall business performance. Among other variables that were affected was the ability to reduce costs (Calantone and Knight, 2000). Zairi *et al.* undertook a study on European firms and produced similar findings, where they found that TQM helped

companies in the long run “through ensuring sustainability and consistency in achieving repeated superior performance standards” (Zairi et al., 1994). Their study revealed that companies that follow TQM more closely are able to achieve higher levels of profit through higher profit per employee, and higher returns on total assets. Furthermore, they found that companies outperform the industry average in terms of remuneration, turnover per employee, and overall profit margins (Zairi *et al.*, 1994). Other researchers found, due to a better performance, that companies had extra resources for R&D and were able to provide better value for their customers (Buzzell and Gale, 1987; Chang and Chen, 1998).

Following this philosophy also leads companies to achieve competitive advantages (Mohr-Jackson, 1998b; Calantone and Knight, 2000; Lai and Cheng, 2005). The competitive advantage is gained in part due to the differentiation of products, which is a direct result of following the quality philosophy (Calantone and Knight, 2000). Following the quality philosophy can lead companies to many benefits, not following it means that they will most likely be unable to produce high quality products and services (Sethi, 2000). While this section has looked at the benefits of following a quality philosophy, the next will examine how we can measure the quality orientation of a firm.

5.4.4. Measuring quality orientation

There are numerous methods available to measure quality orientation within a firm. Zairi *et al.* (1994) conducted a study which examined European firms and their TQM initiatives. They found three main variables (leadership, hard elements and soft

elements) were critical for TQM. The following is a list of these factors along with their sub-factors:

- Leadership elements:
 - a. Mission/vision statement
 - b. Quality policy
 - c. Direction
 - d. Goals
 - e. Communication processes
 - f. Measurement
 - g. Quality decisions
 - h. Strategic planning and deployment
 - i. Customer/market focus.
- Hard elements:
 - j. Tools and techniques
 - k. Measurement
 - l. Systems
 - m. Procedures
 - n. Specifications
 - o. Standards.
- Soft elements:
 - p. Problem-solving approach
 - q. Team work
 - r. Innovation! Creativity

- s. Continuous improvement philosophy
- t. Empowerment
- u. Incentives
- v. Process-based approach.

Similarly the EFQM foundation, based in Europe, has created a model which relies on nine major areas (Hardjono and Marrewijk, 2001). These nine factors are somewhat similar. The factors included in the EFQM, also known as the European Business Excellence model, include: leadership; strategy and policy; people management; resource management; process management; employee satisfaction; customer satisfaction; impact on society; and financial and operational results. More recently, Bergman and Klefsjö (2007) claimed that there are six principles of quality management:

- Focus on processes
- Focus on customers
- Base decisions on facts
- Improve continuously
- Let everybody be committed
- Top management commitment.

In terms of measuring quality within a service firm, Chang and Chen (1998) developed a method which researchers can use. It appears to be a useful tool in assessing the degree

of quality orientation of a firm. The tool is based on self managed questions that managers should answer. It consists of the following questions:

- Our brokerage firm has up-to-date equipment.
- Our physical facilities are visually appealing.
- Our employees are well dressed and appear neat.
- The appearance of our physical facilities is in keeping with the type of services provided.
- When we promise to do something by a certain time, we will do so.
- When customers have problems, we are sympathetic and reassuring.
- We are dependable.
- We provide our services at the time we promise to do so.
- We keep our records accurately.
- We should not be expected to tell customers exactly when services will be performed.
- It's not realistic for customers to expect prompt service from our employees.
- Our employees do not always have to be willing to help customers.
- It is okay if we are too busy to respond to customer requests promptly.
- Customers should be able to trust our employees.
- Customers should be able to feel safe in their transactions with our employees.
- Our employees should be polite.
- Our employees should get adequate support from the company to do their jobs well.
- We should not be expected to give customers individual attention.
- Our employees cannot be expected to give customers personal attention.
- It is unrealistic to expect employees to know what the needs of our customers are.

- It is unrealistic to expect us to have customers' best interests at heart.
- We should not be expected to have operating hours convenient to all our customers.

While this section has examined the various tools developed to measure QO, the next segment looks at the relationship of QO with customer loyalty.

5.4.5. Quality orientation's role in loyalty

While there is not much research which has looked at the direct role between QO and customer loyalty, there are a number of studies that have examined certain variables of loyalty. One of the elements of emotional loyalty is the customer accepting higher prices for the same product. It has been proven that companies that follow quality orientation can charge higher prices for their products (Buzzell and Gale, 1987; Chang and Chen, 1998; Calantone and Knight, 2000). Other variables associated with loyalty which research has found to have link with quality orientation include customer satisfaction (Mohr-Jackson, 1998a; Lai and Cheng, 2005), and employee satisfaction (Lai and Cheng, 2005).

The evidence suggests that there are some links between customer loyalty and quality orientation. The next segment looks at the relationship between quality orientations and other strategic orientations in determining a firm's success level.

5.4.6. Other orientations

According to Gummesson (2008), QO is beneficial to some companies, and not beneficial to others. It is believed that other orientations may need to be used, in conjunction with QO in order to get the highest level of benefits. For instance, researchers have looked at the link between TQM and marketing, and discussed the need for having both to increase a company's performance (O'Neal and LaFief, 1992; Mohr-Jackson, 1998a). Other researchers agree and believe that quality is not the only variable, and other variable needs to be explored (Chang and Chen, 1998). Lai and Cheng's (2005) research reveals that both marketing and looking at customer needs are important if companies want to implement QO successfully. All of this research points towards one direction: quality orientation is not the final destination. Zairi *et al.* explained this concept well in the following sentences:

TQM merely offers companies the opportunity to carry out improvements and focuses on getting closer to customers. Companies must still have the right strategies in place, the right products and services, the right commitment, and the right investment strategies in order to be successful (Zairi et al., 1994).

Hence, we see that like the other strategic orientations discussed earlier, QO too requires other orientations and other factors. These are required if a company wants to receive the maximum amount of benefits.

5.5. Service orientation

As discussed in Chapter 2, services were first introduced as an acceptable domain in 1977 (Shostack, 1977). Since the seventies, much work has been done in this area. The service logic (Gronroos, 2006) has been transformed into service orientation (SO) (Hogan *et al.*, 1984; Cran, 1994). SO basically requires companies to focus on customers by providing polite, helpful, courteous interactions between employees and customers (Hogan *et al.*, 1984).

In today's fast changing world, the customer has become ever more important (Chang and Chen, 1998). Customers' knowledge levels have increased, making them more demanding of higher quality services from their service providers (Yasin and Yavas, 1999). Customers also take a central role, when we talk about services, since it is often with their help that the service is produced (Bowen and Schneider, 1988; Cardozo, 1965; Chase and Garvin, 1989; Mills *et al.*, 1983; Lengnick-Hall, 1996). It is SO which helps companies to manage and maintain a high degree of quality in the interactions (Hogan and Hogan, 1990) between customers and employees (Klaus, 1985).

Just as we had two perspectives of looking at customer orientation, service orientation too follows a similar strategy. We can either look at it from an individual's perspective (Homburg *et al.*, 2002) or from an organization's perspective (Saura *et al.*, 2005). When we look at SO from an individual's perspective, we can define it as "a set of attitudes and behaviors affecting the quality of interaction between an organization's employees and its customers" (Hogan *et al.*, 1984). Saura *et al.* (2005) say that it is the "basic

individual predispositions and a courteous and friendly disposition when providing the service.” Similarly, from an organization’s perspective, SO can be considered to be a company’s effort in providing a system where the employees of the organization are focused towards providing quality services to the customers. To examine these further, we will examine the antecedents of SO in the next section.

5.5.1. Antecedents of service orientation

The key to a successful SO is the employee. The first line of contact with the customer, in a service based organization is the employee. Hence, many researchers and managers alike have called for focus on the employee. Cran (1994) believes that too many companies take this too lightly, and think the jobs of front line employees are easy. This is considered to be an inappropriate approach in achieving success in SO (Schneider and Schechter, 1991; Shamir, 1980). It is a result of this approach that Cran believes that often the wrong person is hired for these types of jobs.

Employees can not only play a critical role in delivering the service effectively and efficiently, overall they can contribute towards “achieving a sustainable competitive advantage” (Asif and Sargeant, 2000; Saura *et al.*, 2005). Not hiring the right employee thus can create problems for an organization. Other problems that may arise as a result of having the wrong employees in the job include: having employees with low levels of satisfaction, low morale levels, tardiness, absenteeism, and eventually turnover (Schneider *et al.*, 1980; Schneider and Schechter, 1991; Cran, 1994).

On a company-wide level the main precursor to SO is the role of the manager. Managers play a critically important role in implementing SO effectively. Among other things the personality, attitudes and behaviours of the manager are said to be important in developing a conducive role for the implementation of SO (Salvaggio *et al.*, 2007). Managers with positive attitudes can help to create the corporate culture required to satisfy the customer and deal with the customer in the best possible manner according to the SO philosophy.

5.5.2. Measuring the service orientation of organizations

Hogan *et al.* (1984) developed a scale based on 92 items to measure service orientation. Their scale, the Service Orientation Index (SOI) was based on a much larger 310 item Hogan Personality Inventory (HPI) (Cran, 1994). This scale was later refined (Hogan and Hogan, 1990). The SOI scale tends to focus mostly on the employee within the organization.

Another scale is the SERV*OR scale (Lynn *et al.*, 2000; Lytle *et al.*, 1998) which looks at the both the employee and the organizational perspectives. The SERV*OR scale questions employees about what they think about service delivery in the organization and the policies, procedures, etc. attached to it. This scale seems to be more in line with both of the definitions of SO presented above, as it looks at both the employee as well as the organization. The SERV*OR scale helps in presenting an effective tool for measuring the SO levels within an organization (Saura *et al.*, 2005).

The SERV*OR scale is based on four major areas: service leadership practices, service encounter practices, service system practices and human resource management practices. These four are then divided up into 35 items, which further explore the factors. According to Saura *et al.* (2005) these four items are explained as follows:

- *Service leadership practices, with the dimensions of servant leadership which comprises management behaviors and styles, and a service vision permeating the whole organization;*
- *Service encounter practices, referring to employee/customer interaction, includes dimensions such as customer treatment (CT), and employee empowerment so they can take decisions on activities related to their post;*
- *Service system practices, refers to aspects related to systems of service creation and provision with dimensions such as service failure prevention and recovery and the use of service technologies to provide greater value to customers, together with the communication of service standards, necessary for the service system to work efficiently; and*
- *Human resources management practices, with the dimensions of service oriented training and reward systems.*

Saura *et al.* (2005)

The following table lists all 35 of the items of this scale:

Variable	Statement
Service orientation (SO)	
Service encounter practices (SE)	
SO ₁	Employees care for customers as they would like to be cared for
SO ₂	Employees go the “extra mile” for customers
SO ₃	We are noticeably more friendly and courteous than our competitors
SO ₄	Employees go out of their way to reduce inconveniences for customers
SO ₅	Decisions are made “close to the customer”. In the other words, employees often make important customer decisions without seeking management approval
SO ₆	Employees have freedom and authority to act independently in order to provide excellent service
SO ₇	We enhance our service capabilities through the use of “state of the art” technology
SO ₈	Technology is used to build and develop higher levels of service quality
SO ₉	We use high levels of technology to support the efforts of men and women on the front line
SO ₁₀	We go out of our way to prevent customer problems
SO ₁₁	We go out of our way to “head off” or prevent customer problems rather than reacting to problems once they occur
SO ₁₂	We actively listen to our customers
SO ₁₃	We have an excellent customer complaint handling system for service follow-up
SO ₁₄	We have established problem-solving groups to enhance our ability to resolve service breakdowns
SO ₁₅	We provide follow-up service calls to confirm that our services are being provided properly
SO ₁₆	We provide every customer with an explicit service guarantee
SO ₁₇	We do not wait for customers to complain, we use internal research to every employee in understandable terms

SO ₁₈	Effort is made to explain the results of customer research to every employee in understandable terms
SO ₁₉	Every employee understands all of the service standards that have been instituted by all departments
SO ₂₀	We have a developed chain of objectives linking together every branch in support of the corporate vision
SO ₂₁	Service performance measures are communicated openly with all employees regardless of position or function
Service leadership practices (LDS)	
SO ₂₂	There is a true commitment to service, not just lip service
SO ₂₃	Customers are viewed as opportunities to serve rather than as source of revenue
SO ₂₄	It is believed that fundamentally, the organization exists to serve the needs of its customers
SO ₂₅	Management constantly communicates the importance of service
SO ₂₆	Management regularly spends time “in the field” or “on the floor” with customers and front-line employees
SO ₂₇	Management is constantly measuring service quality
SO ₂₈	Management shows that they care about service by constantly giving of themselves
SO ₂₉	Management provides resources, not just “lip service” to enhance employee ability to provide excellent service
SO ₃₀	Managers give personal input and leadership into creating quality service
Human resource management practices (GRH)	
SO ₃₁	Management provides excellent incentives and rewards at all levels for service quality, not just productivity
SO ₃₂	This organization noticeably celebrates excellent service
SO ₃₃	Every employee receives personal skills training that enhances his/her ability to deliver high quality service
SO ₃₄	We spend much time and effort in simulated training activities that help us

	provide higher levels of service when actually encountering the customer
SO ₃₅	During training sessions we work through exercises to identify and improve attitudes toward customers

Table 5.3: SERV*OR scale (adapted from Saura *et al.*, 2005).

Based on its multifaceted approach, and the fact that the SERV*OR scale encompasses both of the perspectives of SO, this scale seems to be the best one for measuring the SO of a firm.

Adopting SO may be beneficial to organizations (see Chapter 2) and more specifically to service organizations (Kelley, 1992; Kim and Cha, 2002). However, the major benefit that organizations can achieve from it is customer loyalty. The next segment will discuss the research which looks at the link between SO and customer loyalty.

5.5.3. Service orientation and loyalty

Due to the nature of service it becomes difficult to evaluate the quality of service prior to the customer experiencing that service. Hence, the “difficulty in evaluating quality of services makes switching brands of service less likely as customers become familiar with one service” (Javalgi and Moberg, 1997). Once a customer has become familiar with a particular service provider, switching requires gathering much information, and trying out a number of other services until the customer finds a satisfactory service. This makes switching service provider more costly (Ruyter *et al.*, 1998; Gremler and Brown, 1996). Furthermore, customers may develop a relationship with their current service provider, which strengthens the bond between the customer and the service

provider further, making it even more difficult for the customer to defect (Javalgi and Moberg, 1997). In product oriented firms, these concepts do not apply in the same manner. Quality of a product is easier to evaluate, since it is easier to compare product features, ingredients, and designs rather than services. Moreover, developing a relationship is more difficult for product oriented firms, due to the lack of human contact as compared to services.

Not only is loyalty to service firms expected to be higher, but also the profitability of loyal customers in services is expected to be higher than that of products oriented firms (Javalgi and Moberg, 1997; Edvardsson *et al.*, 2000). Furthermore, satisfaction, an important concept, is said to have a “a larger impact on profits for services as compared with products” (Edvardsson *et al.*, 2000). According to Yasin and Yavas (1999) SO helps companies to achieve a higher level of customer satisfaction. This high level of satisfaction is said to lead to other factors such as “increased sales, reduced costs, improved bottom lines and higher market shares”. Other researchers have found direct links between customer loyalty and SO. Research has found that being SO can lead to having a higher level of customer loyalty, and lower tendencies to switch companies (Zeithaml *et al.*, 1996; Chang and Chen, 1998).

While being service oriented has its benefits, researchers have also pointed to the need to look at other strategic orientations for successful business operations.

5.5.4. The role of other orientations

Researchers have proven that SO alone may not be enough for the eventual success of organizations. For instance, Saura et al. (2005), discovered that SO and CO have a strong and positive link. “It was found that CO produces mediated effects, through SO” (Saura *et al.*, 2005). Moreover, there is a strong link between SO and QO (Rönnbäck and Witell, 2008). While manufacturing firms have been practicing different principles of QO (Quazi *et al.*, 1998; Huq and Stolen, 1998) new research shows that service organizations too have been focusing on quality. Hence, the link between QO and SO is increasingly becoming important.

5.6. Brand orientation

Brand orientation is an extension of market orientation (Urde, 1999) and is a relatively new term. Brand orientation (BO) was first used in the mid 1990s (Urde, 1994; Urde, 1997), and since then has gained popularity among researchers and managers alike. Brand orientation is a philosophy which builds upon market orientation as well as branding literature.

Brand orientation is different from MO, because the basic foundation for strategic planning in an organization is the brand (Urde, 1994). A company that follows the BO strategy is one that tries to create “value and meaning via its brand” (Urde, 1999). Companies that follow the BO strategy try to differentiate their companies through creating a unique brand name and brand image. This distinguishes companies from each other. Many companies in today’s marketplace seem to doing well at this. Procter &

Gamble, Nike, and Sony are just a few examples of companies, as listed by Noble *et al.* (2002), that have adopted an organization culture where the brand is at the centre. Similarly, LEGO, McDonalds and JCB are all companies that have successfully implemented a BO strategy and are reaping benefits as a result (Simones and Dibb, 2001).

Compared to the other strategic orientations discussed in the previous chapters, BO is a relatively new concept. There is not as much literature on this topic compared to some of the other orientations; however a decent amount of literature still exists on this subject.

5.6.1. Definitions of brand orientation

The brand orientation concept is derived from the brand literature. A brand is described by Perason (1996) as the following:

The concept of the brand lies at the heart of marketing theory and practice. A brand is a combination of features (what the product is), consumer benefits (what needs and wants the product meets) and values (what the consumer associates with the product). A brand is created when marketing adds value to a product, and in the process differentiates it from other products with similar features and benefits.

This definition shows that the brand is based on marketing principles. Although the concept of a brand has been around for a while, brand orientation only appeared in

literature as recently as the 1990s. Urde, who is accredited with being one of the first people to use this term, defined brand orientation as the following:

An approach in which the processes of the organization revolve around the creation, development, and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands. (Urde, 1999)

This definition focuses on the organization and the processes the organization adopts in establishing brands in collaboration with the customer. Since the first definition, a number of other researchers have attempted to define BO. For instance Hankinson believes that brand orientation is:

... the extent to which organizations regard themselves as brands and an indication of how much (or how little) the organization accepts the theory and practice of branding (Hankinson, 2001a).

In this definition, Hankinson has proposed the idea of the organization as a whole looking at itself as a singular brand. Urde's definition does not look at the whole organization as a brand, rather allows us the liberty to have a number of different brands under the same organization. Bridson and Evans proposed a definition which is more similar to that of Urde's:

We propose that brand orientation can be best defined as the degree to which the organization values brands and its practices are oriented towards building brand capabilities. Such capabilities include using the retail brand

as a mark of distinction, a means of satisfying consumer's functional purchase needs, a source of value adding and a symbolic reflection of consumer (Bridson and Evans, 2004).

Wong and Merrilees propose a definition which seems to be in line with Urde and Bridson and Evans' definition. However, this definition goes deeper into details by looking as some of the operational level mechanisms associated with BO:

This refers to the extent to which the marketing strategy and activities are centered on the brand with the aim of reinforcing distinctiveness. The activities reflect the action taken by firms in terms of their branding approach. Brand orientation becomes the driving force for brand-oriented firms that consider branding as a significant issue in all the business decisions and directions. It emphasizes the deployment of the marketing mix and human resources to deliver a distinctive brand in the customer's minds (Wong and Merrilees, 2005).

While we have presented four main definitions of BO, three of them consider that the organization can have more than one brand, and are associated with the managing of the brands within the organizations through the implementation of systems, and in collaboration with customers as well as the human resources within the organization. The fourth concept, which looks at the company as a single brand, appears to be focused on service firms. It is difficult for service firms to have different brands. Therefore, companies like British Airways, Thomas Cook, and Marriott Hotels market their

services through a company-wide brand. They may have sub brands, however, these are always linked with the company brand.

A relatively newer concept is the Brand Management System (BMS). The BMS appears to be the operationalization of the BO concept and is closely related to BO. We found it necessary to discuss the BMS concept, since it seems to be an essential part of BO. BMS has been defined as the following:

The brand management system (BMS) is conceptualized as the degree of infrastructure building activities with respect to brand related 1) organization and culture, 2) knowledge and education, and 3) implementation and performance evaluation systems (Lee et al., 2008).

As can be seen from this definition, BMS is concerned with the operational level tools of how to implement a BO philosophy within a firm. It deals with management and maintenance of a BO philosophy.

5.6.2. Benefits of brands and brand orientation

As stated earlier, BO is a relatively new concept within the strategic management framework. However, since BO is linked closely to the concept of brands, much of the benefits that have been discussed are related to brands. This section looks at benefits of brands and brand orientation. Brands are considered to influence the buying decisions of customers (Doyle, 1994). These buying decisions later result in increased sales, higher growth and improved profitability for companies (Urde, 1994).

Developing brands offer companies the opportunity to be different and stand out from competition (de Chernatony and Riley, 1998). The distinctiveness helps customers to choose one company or brand over the other when few physical differences appear in two products. Often it shortens the buying process of customers (Bridson and Evans, 2004). For service firms it is even more important as it helps to give the company a sense of uniqueness in a world where all the offerings of all of the companies seem identical (Goodyear, 1996). In non-service firms, it is also vital for companies to create a sense of distinctiveness. Fernie *et al.* (1997) believe that companies that deal with fashion products need to be brand oriented in order to create a competitive edge through distinctiveness. An example of such a brand is Laura Ashley, which has created its uniqueness through portraying an English country lifestyle (Helman and de Chernatony, 1999). This uniqueness attracts customers to the distinct “lifestyle” associated with the brand (Bridson and Evans, 2004).

Another important benefit that companies can derive from being brand oriented is the creation of value. Over time brands can be associated with non-functional features that are of importance to customers. A “peace of mind” through the continuous delivery of quality service is one such factor. Customers will pay extra money, or chose one company over the other knowing that they need not worry about quality of the product/service. Other factors include the enjoyment that a customer may get from a particular brand (McEnally and de Chernatony, 1999). Customers may also favour a brand because of the status symbol that is attached with it. These are some of the value added factors that can be associated with brands and companies that follow a BO strategy.

Being brand orientated can also help companies indirectly by helping them to hire the right people. A company that is brand oriented is more likely to pursue a policy where they are more choosy about the employees they hire (Burghausen and Fan, 2002). Companies that follow the BO philosophy try to find employees that best match their values and beliefs, which can result in hiring employees that are motivated and committed to promoting the brand (Hankinson, 2001b). As discussed earlier, having the right employee is critical to the success of an organization. It is even more important for service firms, since they rely purely on their employees. Berry has outlined the benefits of branding to service firms in the following paragraph:

Branding plays a special role in service companies because strong brands increase customers' trust of the invisible purchase. Strong brands better enable customers to visualize and understand intangible products. They reduce customers' perceived monetary, social, or safety risks in buying services, which are difficult to evaluate prior to purchase (Berry, 2000).

Therefore, branding and being brand oriented is vital to service firms. In service oriented firms the focus is on the organizational brand (Simones and Dibb, 2001). It is usually the primary brand and in many cases the only brand that the organization promotes (Berry and Parasuraman, 1991). Hence, we can conclude that having a good brand orientation strategy is not only vital for the success of organizations but also an important tool that managers can use to tackle the competitive marketplace (Simones and Dibb, 2001).

5.6.3. Drivers of brand orientation

Urde (1994, 1999) discussed a number of factors that drive BO within organizations, describing the three main drivers of BO as decreasing product divergence, increasing media costs and integration of markets (see Figure 5.1).

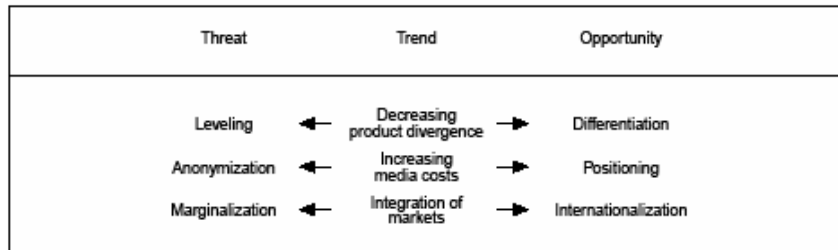


Figure 5.1: Three trends compelling companies with brands to choose whether or not to incorporate their brands into the company strategy (Urde, 1994)

For many companies, it is no longer vital that they have the best quality product (King, 1991). An example is the Tetra Pak Corporation. Tetra Pak manufactures packaging material and machines that assist in the packaging of products. Tetra Pak was faced with competition from a Japanese rival, Shikoku. At a tradeshow they found out about a machine which was essentially a copy of one of theirs. This resulted in Tetra Pak adopting a different strategy, a brand oriented strategy. They were able to fend off the competition by focusing on their brand, which eventually emerged as their greatest asset (Urde, 1994). In this case, product divergence was a cause for following a BO strategy.

Building a brand is often associated with the amount of money spent on advertising. However, the increase in media costs can in fact lead companies to become brand oriented. For example, Rank Hovis McDougall (RHM) is a British food firm. They

produce various types of food items including the Hovis brand of bread, Bisto gravy, and Saxa Salt. Due to the increase in costs, RHM decided to focus on a few core brands instead of trying to advertise all of their brands. This has helped RHM to achieve long-term competitiveness and growth, as well as profitability (Urde, 1994).

A third factor discussed by Urde is the integration of markets as a driver of BO. Examples of market integration include the NAFTA (North American Free Trade Agreement), the European Union (EU), World Trade Organization (WTO), and the Gulf Cooperation Council (GEC), etc. These market integrators have increased and intensified the competition that companies face today. The Swiss food giant Nestlé is an example of a firm that has dealt with increased competition as a result of the EU. As a result of increased competition Nestlé has moved from national branding to the internationalization of their core brands, such as Nescafé (coffee), Buitoni (Italian foods), and Pure Life (bottled water). Nestlé has used its experiences of success in the international markets and brought that success on a global platform. For instance, Pure Life was developed in Pakistan when an engineer realized that the excess water from the milk processing plant was going to waste. The excess water, which was pure H₂O was bottled and sold in the country. The success of Pure Life in Pakistan led Nestlé to start the process of globalizing this brand. With integrations of markets and an increase in competition, companies can pick a successful brand in one country and transform it into a global brand.

Researchers have discovered other factors that drive BO within a firm. Top management focus is one such factor (Aaker, 1996). According to Aaker, the top

management of a firm needs to be committed to the BO strategy in order for the strategy to succeed within the firm. It appears from literature that the commitment of managers, and more specifically senior managers, is critical to the success of any strategic orientation.

Benchmarking for BO can also be successful for organizations. For instance, researchers have found that brand-benchmarking can be done through benchmarking various branding aspects such as financial value of a brand (Feldwick, 1996), as well as benchmarking brand equity (Aaker, 1996). Other brand related areas where benchmarking may be of use include the brand report card (Keller, 2000), and benchmarking the entire brand building process (de Charnatony, 2001). Benchmarking the brand can be done to a leading brand in the industry, or to a target that the managers want to achieve. Either way, benchmarking can help managers in achieving their brand orientation targets.

5.6.4. Brand management systems

As discussed earlier, the brand management system (BMS) deals with operationalizing BO. Literature has shed light on measuring the BMS, which can be a useful tool for managers as well as researchers. Lee *et al.* (2008) developed a tool for measuring the BMS. This tool has been devised based on previous methods discussed in the literature (Davis and Dunn, 2002; Low and Fullerton, 1994; Vanauken, 2002). Their system is based on eleven items, which can be measured using Likert-scale questions. These eleven items include five factors related to a company and to its corporate culture. There are a further four factors which relate to brand knowledge and education. And

finally, there are two items which relate to the collection, analysis and implementation of brand systems (Lee *et al.*, 2008). The following is a list of these eleven items and the three main categories they fall into:

- Brand-related organization and culture
 - CEO's interest in brand
 - Brand manager system
 - Brand manager's power
 - Brand information sharing within a firm
 - Employee's branding motivation
- Brand knowledge and education
 - Brand education for managers
 - Brand education for employees
 - Workshop/training
 - Employee's effort to understand branding
- Brand implementation and performance evaluation
 - Information acquisition, analysis, and implementation system
 - Performance evaluation system.

Lee *et al.* (2008)

This tool may be useful for anyone trying to measure the BMS of an organization. However, to fully measure the BO of a firm, this scale offers us a starting point, and may not be perfect on its own.

5.6.5. Loyalty

There have been a number of studies that have attributed a positive brand to loyalty. Many of these were discussed in Chapter 2 (see section on brand loyalty). Brand loyalty is common and has been established by research (Chaudhuri and Holbrook, 2001; Jacoby and Chestnut, 1978; Pessemier, 1959; Reichheld, 1996). This factor has also been established by study 1, where it was found that customers thought the brand image had a positive impact upon their loyalty towards a firm.

5.6.6. Others factors influencing brand orientation

Just as we found that each of the other four orientations were upon impacted by other orientations, we have discovered that brand orientation too is impacted by other strategic factors. For instance, it has been found that innovation can enhance the overall performance of a firm (Merrilees and Miller, 2001a; Merrilees and Miller, 2001b; Noble *et al.*, 2002). Innovation and brand orientation combined can have a greater and positive impact on firms, and especially small and medium sized companies (Weerawardena *et al.*, 2006). Although we discussed the fact that brands can help to distinguish one product from another, researchers believe that innovation can help to enhance the performance of brands (Wong and Merrilees, 2008). Interestingly, it has been found that companies that are more innovative, will actually be more brand oriented and thus develop BMS much faster than their competitors (Lee *et al.*, 2008).

In addition to innovation, market orientation also has an impact on brand orientation. We discussed in this section the fact that BO came out of MO. Hence, each one has a

strong impact on the other. Research has shown that both in business-to-customer and business-to-business environments, MO positively influences BO and BMS (Lee *et al.*, 2008). Market oriented firms are more likely to develop “efficient and effective BMSs and, in turn, the BMSs are likely to help achieve high levels of brand performance” (Lee *et al.*, 2008).

The relationship between brand orientation and market orientation has best been described by Tegstam, who was the Senior Vice President at Nestle:

Market orientation is on a more uncomplicated, short-term, and fundamental level. If an organization is only market-oriented, then it's still in the discussion about products and markets. Brand orientation is an additional degree of sophistication. It becomes a little bit more difficult because one has to both be market-oriented and brand-oriented. An organization can never only be brand-oriented. There have to be products that are demanded and that work together with your brand. To be brand-oriented is market orientation 'plus' (Urde, 1999).

We can see from this explanation, that a company cannot, or perhaps should not, be brand oriented alone. It needs to also be market oriented in order for it to achieve the maximum results.

5.6.7. Conclusion

These last few chapters have shown that market orientation, customer orientation, quality orientation, service orientation and brand orientation are important philosophies.

Each has its benefits, and more importantly each one has some link to developing customer loyalty, either directly or indirectly. However, two important factors and areas for improvement have been identified here. First, each of these alone may not be sufficient for a company to achieve success. Research has shown that each one depends on another. Second, although research points to the development of customer loyalty, the type of loyalty examined by the researchers is the most basic type of loyalty (i.e. behavioural loyalty). No link has been established for the more advanced forms of loyalty (i.e. attitudinal or emotional loyalty). Further research is needed to see if these orientations can help to develop higher levels of loyalty within an organization.

Chapter 6: Qualitative analysis of secondary cases

6.1. Introduction

This chapter conducts a comprehensive analysis of six secondary case studies. The analysis builds on the previous work already conducted in this research. While Chapter 4 looked at primary qualitative case studies, Chapter 5 examined the theory available on strategic orientations. This chapter builds on this work by conducting an analysis of six companies in relation to strategic orientations and customer loyalty.

The six companies adopted for this study belong to six different industries and include a food manufacturer, an automobile parts manufacturer, a health care company, a financial leasing firm, an automotive dealer and a health care alliance. These companies sell both products and services and fall in both the business to customer as well as the business to business categories. Each of these companies is considered to be one of the best within their own industry. Each company is reported to have very high levels of loyalty (between 60 and 97%). Moreover each of these companies has recently (in the last five years) won the Malcolm Baldrige National Quality Award. These companies also report to have high levels of profitability, making them best practice firms within their own domains. It is for this reason that we chose to study these companies in detail.

This chapter looks at each of these companies, and looks at the reasons behind the success of each firm. In doing so, we look at the strategic orientations that have been adopted by each firm. The level of strategic orientation being practiced is analyzed within each firm. Moreover, we also look at the business impact of adopting these

strategic orientations. An impact analysis is conducted for each company as well as each of the strategic orientations. The chapter then looks at and examines the critical success factors that are required to effectively develop a system where a company can foster high levels of customer loyalty.

6.2. The Malcolm Baldrige National Quality Award

The Malcolm Baldrige National Quality Award (MBNQA) is an award given in the United States to those companies that are considered to be outstanding. The award, named after a former US Secretary of Commerce, who was a proponent of quality within organizations, is given each year by the American President, making it a symbol of high status for its recipients. The award is not only accepted across the US, but around the world as “the standard for performance and excellence” (NIST, 2009). MBNQA is generally accepted as the most prestigious award for quality in the United States (Przasnyski and Tai, 2002). The award has also influenced the development of quality awards in other countries (Islam, 2007).

Winners of the award are the best of the best in their respective industries and are considered role models for others. The winners of the award are high achievers, and very successful firms (see next section). MBNQA winners file extensive applications in connection to the award. The application summaries, which have a wealth of information, both qualitative and quantitative, about each of these firms are then made available to the public. With a huge database of information readily available, it made sense to utilize it. Collecting the amount of information, for another firm, that was

already available in the MBNQA database would take a huge amount of time and effort. It is for this reason that the case studies chosen for this study were MBNQA winners, and the data was derived from their MBNQA applications. This sort of a method has been previously adopted by researchers who undertook case studies on business performance (Haron, 2002; Idris, 2000). More recently Craven *et al.* (2009) conducted a case study on a private US university which had adopted the MBNQA criteria to assess its impact on performance. Similarly Dejong looked at a hospital which had adopted the awards criteria to conduct a case study (Dejong, 2009).

Researchers have not only used the MBNQA to study winners, but also used the criteria to assess the performances of other companies. For instance, a 2004 study looked at “the current state of quality management implementation and practices in China” (Lau *et al.*, 2004). Islam (2007) used the award as a tool for studying the Malaysian education sector.

6.2.1. The role of MBNQA on a firm’s performance

The Malcolm Baldrige National Quality Award (MBNQA) has been widely credited to have had a positive impact and a significant influence on many organizations (Przasnyski and Tai, 2002). The MBNQA has been able to prove a framework for “performance excellence” for organizations that win the award as well as those that follow the its criteria (Dejong, 2009). Research has shown that the award has had a positive impact from a non-financial as well as a financial perspective on organizations (Leonard, 2006). For instance, in a study it was found that 89% of the winners, as well as 77% of the award applicants, had a strong belief that the award had a positive impact

on their performance (Bergquist and Ramsing, 1999). These companies thought that the award has a positive impact on a company's financial performance. These results have been agreed with by other researchers. Companies that employ the award criteria are expected to achieve "Performance Excellence" (Chrusciel and Field, 2003) and have higher than normal returns (Davis and Stading, 2005).

From a financial perspective a number of research studies have been carried out. The US Department of Commerce completed a study on the winners of the award and its return on investments. This study examined winners from 1988 to 1994 and compared them with the Standard and Poor's 500 (S&P 500) list. The results show that the S&P 500 list had a return of 28% as compared to a 188% return for the award winners (Leonard, 2006). This result was validated by a more recent study on award winners and stock performance which looked at winners from 1988 to 1998. The study also found a positive link between award winners and financial performance (Przasnyski and Tai, 2002).

Other research studies have found positive links between the award and various factors. For instance, in their study, Lau *et al.* found that there is a positive link with "superior performance in leadership, strategic planning, customer and market focus, information and analysis, human resource focus, process management, and business results" (Lau *et al.*, 2004). Islam (2007) found a positive link with market share, employee motivation, higher levels of customer satisfaction and improved profitability. A study by Davis found that managers from companies that were pursuing the award thought that it lead them to have an increase in return on investment, growth in sales, larger market share,

better customer satisfaction and an improved flow of cash (Davis, 2005). Lee *et al.* found a link between the award and quality performance. Their study on Korean manufacturing firms revealed a positive link with “strategic quality planning and process management” (Lee *et al.*, 2003). Pryboutok *et al.* found a link between the various factors within the award criteria to performance. They found that leadership and IT quality (both award criteria) led to an increase in benefits for the firms (Prybutok *et al.*, 2008). Wisner and Eakins’ study also confirmed many of these findings. They looked at 17 award winners between 1988 and 1992. Their study revealed a positive link with reduction in production costs, improved reliability of products, lower levels of customer service costs, a lower product defect rate, and a reduction in cycle time (Wisner and Eakins, 1994). Their study revealed that return on assets grew by 50%, sales by 75% and employee satisfaction by 57%.

There is much research pointing to the fact that MBNQA indeed leads companies to many benefits. These benefits have been identified as both financial as well as non-financial. More importantly these studies have found a link with customer satisfaction, quality, and other drivers for customer loyalty. MBNQA winners are considered to be the best of the best in their respective industries. These companies are not only best practice firms in achieving high levels of financial benefits, but also have reported high levels of customer loyalty. These reasons make studying the MBNQA winners the best option. The next sections will concentrate on conducting the case study analysis of six different MBNQA winners over the past few years.

6.3. Case 1: Poudre Valley Health System

6.3.1. Introduction

Poudre Valley Health System (PVHS) is a private and locally owned health service organization based in the US states of Colorado, Nebraska and Wyoming. The company is a high achiever which has adopted and is implementing various strategic orientations for its benefit. These orientations have led the company towards success, both financial and non-financial. This not-for-profit organization makes for an excellent case on customer loyalty and strategic orientations.

The PVHS offers its customers a wide variety of health services. These include two acute care hospitals as well as numerous other health related centres and clinics. The services offered include, “emergency/urgent, intensive, medical/surgical, maternal/child, oncology, and orthopedic care” (PVHS, 2008).

The vision of the organization is “to provide world-class health care” (PVHS, 2008). The mission of PVHS “is to remain independent while providing innovative, comprehensive care of the highest quality, and exceeding customer expectations” (PVHS, 2008). It is through following this mission and vision that the organization has become one of the leading providers of health care in the US.

6.3.2. Achievements

Perhaps one of the most important of the achievements for the organization was winning the MBNQA. However, prior to this they had received a lot of recognition from a wide

variety of organizations. For instance Modern Healthcare magazine placed PVHS on its list of “America’s 100 Best Places to Work in Healthcare” in 2008. The organization was also awarded by the American Nurses Association and the National Database of Nursing Quality Indicators the best hospital for sustained nursing excellence in 2007 and 2008. As literature has shown, employee satisfaction, productivity and quality is crucial to the success of any organization, especially service firms.

Hospitals & Health Networks has been listing PVHS on the “100 Most Wired Hospitals and Health Systems” list. Similarly, Information Week lists it on its “Top 500 Information Technology Innovators” list. These show that the organization is making use of Information Technology and is innovating within this area. This is important in a number of areas including, achieving improved productivity and achieving a higher degree of quality.

In terms of quality, the organization has been named by Thomson as one of the Top 100 Hospitals. It is one of only seven hospitals to be on this list for five consecutive years! The ranking is based on factors such as “superior outcomes, patient safety, and operational and financial performance”. The organization has also achieved much financial benefits. Its equity earnings from joint ventures tripled between 2004 and 2007 to reach US \$ 7 million. Moreover, the organization has a whopping 62.3% of the market share in the primary area of service, leaving its closest rival 42 points behind (PVHS, 2008). The organization has revenues in excess of \$330 million and employs over 4000 people (NIST, 2008).

STRATEGIC ADVANTAGES (SA)	
1.	Low workforce vacancy and turnover (SO 1)
2.	Strong patient referral base (SO 2,3,4)
3.	Minimal duplication of core healthcare services (SO 4,6)
4.	Innovative technology, programs, and methodologies (SO 2,3,4,5)
5.	Focus on the future (SO 1-6)
6.	Community health involvement (SO 2,4,5)
7.	High-quality, low-cost care (SO 5,6)
8.	Performance excellence (SO 1-6)

Table 6.1: Strategic advantages at PVHS (Poudre Valley Health System, 2008)

6.3.3. Adoption of strategic orientation at PVHS

Poudre Valley Health System adopts a number of strategic orientations to achieve its high level of performance and success. The next sections look at what types of strategic orientation have been adopted, how they are being used by the company and its impact on the overall performance of the company.

6.3.3.1 Quality orientation

As a winner of the MBNQA, it is evident that PVHS is following a quality orientation. For PVHS, quality orientation means having quality in every aspect of its operations. Quality orientation starts with strategic management. Senior leaders have worked hard to build a culture within PVHS that focuses on “high performance”. Senior management place great emphasis on performance improvement within every sector of the organization. They also emphasize the importance of innovation. Hence, senior managers continuously set goals for performance which are considered world-class. They then go about engaging the various stakeholders to achieve these high level goals.

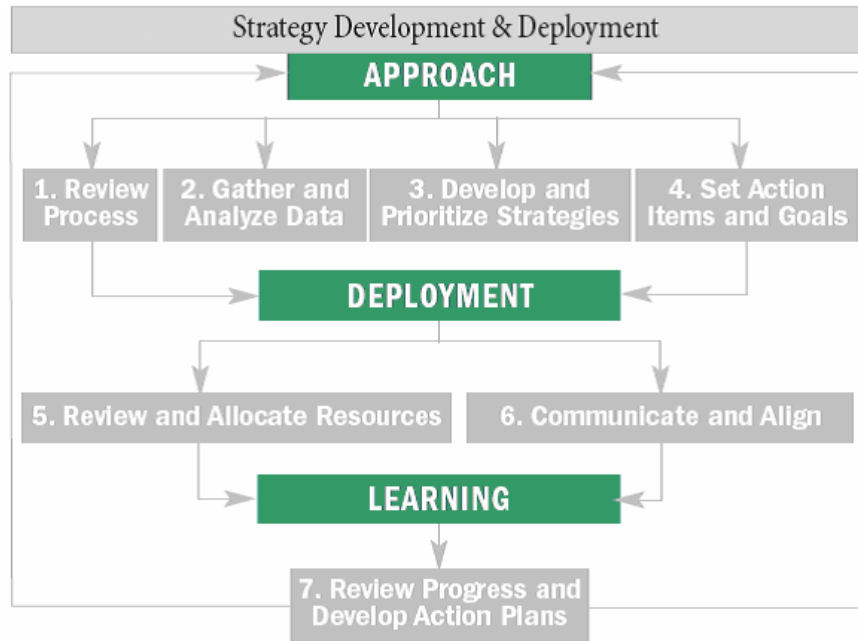


Figure 6.1: An example of QO in strategy development (Poudre Valley Health System, 2008)

PVHS is engaged in using the latest high quality innovations within its business. To do this they encourage the development of innovative solutions and technologies. As an example, PVHS was one of the pioneers in using a robot based surgery system! Moreover, the firm was also one of the first to integrate its medical imaging systems across the various lines to facilitate quick and high quality decision making. PVHS also deployed an information system which helps to increase productivity, improve efficiency and ensure a high level of quality in the service delivery. By focusing on quality services at every step of the process, PVHS has been able to maintain a quality focus.

Adoption of quality orientation at PVHS

- Quality focus on every aspect of the business
 - Strategic management's focus on high quality
 - Organizational goals that focus on 'world class' quality
 - Encourage innovations to improve quality
 - Use of information systems for quality maintenance
-

Table 6.2: Adopting customer orientation at PVHS

6.3.3.2 Customer orientation

As a leading health service provider, PVHS also focuses on customers. PVHS focuses on the customer in a number of ways. First it makes sure that it understands its customers' needs. PVHS has developed a "Voice-of-the-Customer" approach to doing this. When planning a new hospital, PVHS engages its customers to find out what they are looking for. Based on the feedback they receive they are able to improve the layout of the emergency area, give patients beautiful views from their room windows, develop "healing gardens" and even install "family amenities such as showers and kitchens" (PVHS, 2008).

Voice of the Customer		
LISTENING METHOD	CUSTOMER GROUP*	FREQUENCY
PVHS-Initiated		
Avatar Patient Satisfaction Survey	IP, OP, ED, C	Weekly
Discharge Phone Calls	IP, OP, ED	Daily
Focus Groups	IP, OP, ED, C	Ongoing
Volunteer Patient Liaisons	IP	Daily
Community Health Survey	C	Every 3 years
Consumer Awareness Survey	C	Every 2 years
Community Health Program Evaluations	C	Per Event
Board of Directors Representation	C	Monthly
Customer-Initiated		
Patient Representatives	IP, OP, ED, C	Daily
Ethics/Compliance Hotline	IP, OP, ED, C	Daily
Letters/Phone Calls/Emails	IP, OP, ED, C	Daily
Support Groups	IP, OP, ED, C	Ongoing
GetWell Network [3.2a(1)]	IP	Ongoing
Community Health Education/Services	C	Ongoing
Community Involvement by SMG/Workforce	C	Ongoing
PVHS Foundation Development Councils	C	Ongoing
<i>*Inpatient (IP), Outpatient (OP), Community (C), Emergency Department (ED)</i>		

Table 6.3: Listening to the customer (Poudre Valley Health System, 2008)

Data is analyzed quarterly and is collected through a number of sources throughout the year. Once the data has been analyzed, the organization identifies and prioritizes the needs of its customers. Based on these needs, the organization then determines the best possible response to make sure that the customer gets what they want. Being customer focused means that the organization continuously monitors and evaluates the systems to have continuous improvements.

Adoption of customer orientation at PVHS

- Listening to customers (using voice-of-customer approach)
 - Continuously monitoring and analyzing customer needs
-

Table 6.4: Adopting customer orientation at PVHS

6.3.3.3 Market orientation

PVHS also follows a market orientation in order to build high levels of customer loyalty. In being market oriented the organization focuses on its customers, competitors and integrates its various functions. Being market oriented has allowed the organization to achieve a very high level of market share (over 60%). Some of the initiatives that have been adopted by PVHS to achieve market orientation include:

- Establishing partnerships.
- Providing community health services, such as the free, 24-hour Poudre Valley Nurse Line and Nurse-Is-In program.
- Offering speciality clinics and other clinical and administrative services in rural areas.
- Providing community health education and continuing medical education.
- Creating community health organizations, such as the Healthy Kids Club or Aspen Club.
- Participating in community organizations, such as the Mental Health and Substance Abuse Partnership.

Adoption of market orientation at PVHS

- Building relationship with customers
- Building relationships with partners, suppliers, and collaborators
- Working with the community

Table 6.5: Adopting market orientation at PVHS

The organization tries to build relationships with its customers through “Marketing, Outreach/Business Development, and Community Health departments”. Often this process starts much earlier than the launching of a new service and continues through its lifecycle. For instance, three years before launching the MCR, PVHS began its relationship building process. PVHS not only builds partnerships with its customers but also with various other stakeholders (see Table 6.6 below).

Key Types of Partners, Suppliers, & Collaborators			
	PARTNERS	SUPPLIERS	COLLABORATORS
Role in Work Systems	<ul style="list-style-type: none"> • Healthcare delivery • Performance improvement • Information management 	<ul style="list-style-type: none"> • Delivery of products or services • Performance improvement 	<ul style="list-style-type: none"> • Design of facilities and healthcare services • Performance improvement
Role in Innovation	<ul style="list-style-type: none"> • Cutting-edge technology and methodologies 	<ul style="list-style-type: none"> • New products/services 	<ul style="list-style-type: none"> • Expertise
Supply Chain Requirement(s)	<ul style="list-style-type: none"> • Patient admissions/referrals • Accurate, timely information • Patient satisfaction • High-quality care • Best practice sharing 	<ul style="list-style-type: none"> • On-time delivery • Fair and competitive pricing • Support and consultation • Quality products • Order and invoice accuracy 	<ul style="list-style-type: none"> • Data and analysis • Best practice sharing
Relationship and Communication Mechanisms	<ul style="list-style-type: none"> • Representation on PVHS BOD • PVHS representation on partner BODs • Participation in strategic planning • Quarterly business reviews 	<ul style="list-style-type: none"> • Contracting process • Electronic data interchange, fax, email, phone • Quarterly business reviews • Participation in strategic planning 	<ul style="list-style-type: none"> • Participation in task forces • Progress reports

Table 6.6: Market orientation through partnerships at PVHS (Poudre Valley Health System, 2008)

6.3.4. Strategic orientations' impact on performance at PVHS

6.3.4.1 The impact of customer orientation on performance

Each of the strategic orientations has an impact on the performance of a firm. For PVHS, the adoption of a customer orientation has brought with it some key benefits. As a result of implementing customer orientation, the company has been able to improve its level of employee satisfaction and quality of services, instil teamwork within the organization, create competitive advantages and overall, improve the company's profitability. For an organization to be customer oriented, they need motivated employees. As discussed earlier, motivated employees are more satisfied than those who are not motivated. Customer orientation has enabled the company to pursue employee friendly policies, which has resulted in an increase in the level of employee satisfaction. Similarly, customer orientation has allowed the company to improve the quality of its services. Customer orientation overall has helped the company to create advantages that competition can not follow. All of these factors have also resulted in an increase in profitability for the company.

The impact of customer orientation on performance	
Customer orientation policies adopted	Performance impact
<ul style="list-style-type: none">• Listening to customers (using voice-of-customer approach)• Continuously monitoring and analyzing customer needs	<ul style="list-style-type: none">• Top 25% of profitable firms in US• Employee satisfaction: top 10%• Team work: top 20% in US• Customer service ratings: 70%• Customer satisfaction is over 78%

Table 6.7: CO's impact on performance at PVHS

6.3.4.2 The impact of market orientation on performance

Adopting market orientation strategies has enabled the company to reap a number of benefits. As a market oriented company, PVHS has benefited from: a growth in its market share, increase in revenues, higher levels of employee satisfaction, improved teamwork through the company, increased return on investment, and overall greater profitability.

The impact of market orientation on performance	
Market orientation policies adopted	Performance impact
<ul style="list-style-type: none">• Building relationship with customers• Building relationships with partners, suppliers, and collaborators• Working with the community	<ul style="list-style-type: none">• 62.2% market share• Top 25% of profitable firms in US• Top 10% of highest revenue firms• Employee satisfaction: top 10%• Teamwork: top 20% in US• Customer satisfaction is over 78%

Table 6.8: MO's impact on performance at PVHS

6.3.4.3 The impact of quality orientation on performance

Similarly, adopting a quality orientation strategy has helped the company to improve its overall performance. A quality orientation strategy has helped the company by benefiting it in the following areas: ability to create better quality of services and products, decrease in costs, improved ROA, higher revenues, increased market share and overall greater profitability. The next section will look at the impact of all of the strategic orientations on the performance of the company.

The impact of quality orientation on performance

Quality orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Quality focus on every aspect of the business • Strategic management’s focus on high quality • Organizational goals that focus on ‘world class’ quality • Encourage innovations to improve quality • Use of information systems for quality maintenance 	<ul style="list-style-type: none"> • 62.2% market share • Top 25% of profitable firms in US • Top 10% of highest revenue firms • Customer service ratings: 70% • Customer satisfaction is over 78%

Table 6.9: QO’s impact on performance at PVHS

6.3.4.4 Overall impact

Following the three strategic orientations at PVHS has brought great results for the company. The company has seen its market share grow to an amazing 62.3%, the highest in its industry. Its profits and revenues are also very high. In terms of revenues it is placed in the top 10% of the US segment. Profits rank in the top 20% of the US market. As discussed earlier, a number of strategic orientations are linked in with employees (including quality orientation, service orientation, market orientation and customer orientation). Therefore it is important to see the impact of these orientations on employees. Employee satisfaction remains very high at PVHS. Overall the firm ranks in the top 10% of all US firms for employee satisfaction. Similarly, involuntary turnover for employees is very low. Teamwork within the organization seems to be doing very well. Currently the company ranks in the top 20% within the US for teamwork within the company. Customer services, and the quality of the services

provided to customers is also very high. It is currently at over 70%, which is better than all of the company's competitors.

Strategic orientations and their impact on performance	
Strategic orientations adopted	Performance impact
<ul style="list-style-type: none"> • Customer orientation • Market orientation • Quality orientation 	<ul style="list-style-type: none"> • 62.2% market share • Top 25% of profitable firms in US • Top 10% of highest revenue firms • Employee satisfaction: top 10% • Team work: top 20% in US • Involuntary turnover: low • Customer service ratings: 70% • Customer loyalty is in the top 1% of all US firms • Customer satisfaction is over 78%

Table 6.10: Impact of strategic orientations on performance

6.3.4.5 Overall impact on customer loyalty

The organization has been able to achieve a high level of loyalty. In terms of customer satisfaction, which is one of the factors that leads to loyalty, the organization's Medical Center of the Rockies and the Poudre Valley Hospital ranks among the top 10 percent in the United States. Poudre Valley Hospital, itself, was ranked as the best for having the highest inpatient satisfaction scores among 300 US hospitals, as surveyed by Avatar (NIST, 2008). Similarly, Avatar ranked the Medical Center of the Rockies as one of the top 12 in the US for customer satisfaction. Overall the company's satisfaction is over 78%, which is above the industry average. Through these variables the organization has been able to achieve a very high overall customer loyalty rate. PVHS's patient loyalty is

ranked in the United States by the US Centers for Medicare and Medicaid Services in the top 1 percent for US hospitals (NIST, 2008). The exact figure according to the company is ranked between 60 and 85% for various departments within the company. Hence, we can see that the strategic orientations have had a positive effect on loyalty development at PVHS.

6.3.5. Conclusion

PVHS is one of the leading health service providers in the United States. Over the years the organization has focused on several key business orientations. These include quality orientation, market orientation and customer orientation. The company tries to instill these three values in all of its business areas and processes. Following these orientations has allowed PVHS to make its customers highly satisfied, as is shown by the various satisfaction indices. This has led the company to develop a very high degree of customer loyalty, which ranks among the top 1 percent in the United States. By following these business orientations, eventually the organization has built a high level of loyalty, and hence improved its business performance by capturing a very high market share. We can conclude from this case study that following multiple orientations does in fact help organizations in achieving high levels of loyalty.

6.4. Case 2: PRO-TEC Coating Company

6.4.1. Introduction

PRO-TEC Coating Company resulted from a joint venture between an American and a Japanese firm in 1990. United States Steel Corporation (USS) and KOBE Steel (KOBE)

of Japan set up this joint venture firm, which works autonomously, to provide high quality steel products to automotive customers in the US. As a Business-to-Business firm, PRO-TEC started off with a clean slate, allowing it to create its own unique culture, different from the two parent firms. In doing so, the company adopted a number of best management practices from a wide variety of sources. Some of the best management practices adopted include, “a self-directed workforce, lean manufacturing, continuous improvement, and an empowered workforce exercising Ownership, Responsibility, Accountability (Duarte *et al.*)” (PRO-TEC, 2007).

The company is highly committed towards its employees, and is focused on personal as well as organizational learning. The company produces over a hundred percent of its equipment’s design capacity, and sells one hundred percent of its production. The following is a list of the products and services that the firm is involved in:

Products:

- Coated sheet steel (in coil form)
- Coils up to 45 tons each
- Coils from 36” to 84” outside diameter

Services:

- Supply Chain Management (SCM)
- Electronic Data Interchange (EDI) (info. services)
- SteelTrack (USS Extranet – mechanical properties reports) (customer service)
- Metallurgical test reports (performance excellence)

Delivery mechanisms:

- Transportation modes – rail and truck
- Delivery modes
- Direct customer shipment
- Just-in-Time (Sengupta *et al.*) warehouse (near customer) (PRO-TEC, 2007).

Due to its unique set up and its mission “to foster human potential, a spirit of cooperation, and technical innovation for the betterment of our industry, Associates, and community” (PRO-TEC, 2007), the company has been able to achieve much success. The next segment briefly looks at some of the achievements of this firm. Thereafter, the remainder of this case will look at the types of orientations being practiced within the firm.

6.4.2. Achievements

In a relatively short span of time the firm has been able to achieve much success. Currently the firm is in the position of an industry leader within the “advanced high strength and ultrahigh-strength” steel coating sectors. Moreover, the firm supplied over 85% of all advanced high-strength steel to the US automotive industry between 2002 and 2006. PRO-TEC has been producing at over 100% of the design capacity of the machinery. Not only is the firm highly productive, it is also operating very reliably. The firm leads the industry with over 98% of system runtime.

The firm is also highly profitable. Revenue per associate (or employee) is in excess of \$4 million, which is four times higher than the industry benchmark. The quality of its products remains high, with a defect rate of less than 0.12%. This has allowed the firm to achieve overall profitability. It has been continuously profitable for 12 years running.

6.4.3. Adoption of strategic orientations at PRO-TEC

6.4.3.1 Quality orientation

At PRO-TEC quality can be found in every aspect of the business. The organization has obtained a number of different types of quality certifications. These include: ISO 9001, ISO/TS 16949, ISO 14001, as well as adopting the Baldrige criteria for quality. It begins with the employees of the organization. Each employee is highly skilled at their job. The company has over 69% of the workforce with at least a high school diploma. Furthermore, the company encourages continued professional development and has a number of employees pursuing higher studies. The company funds the education of its employees by providing 100% of the tuition and books.

In addition to supporting professional development, the organization also believes in providing various types of training to ensure that everyone is working towards the goals and objectives of the organization. Employees are also given more responsibility, which gives them greater freedom, allowing them to make strategic decisions. These in turn lead to a higher level of quality, as each associate is able to decide on his/her own what is best.

Adoption of quality orientation at PRO-TEC

- Adopting quality awards standards
- Employing highly skilled employees
- Continuous professional development of employees
- Continuous improvement in all processes

Table 6.11: Adopting quality orientation at PRO-TEC

PRO-TEC believes in continuous improvement methods in all of its processes. This is maintained through the use of “key performance measures” which are then aligned with factors that are the key to success. The figure below highlights some of these.

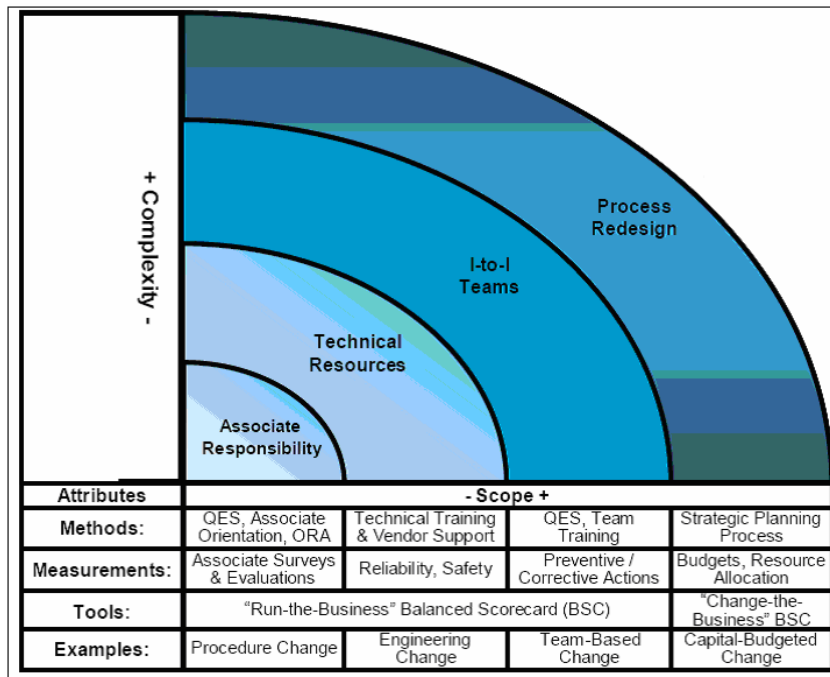


Figure 6.2: Continuous improvement at PRO-TEC (PRO-TEC, 2007)

6.4.3.2 Market orientation

In addition to having a focus on quality, PRO-TEC is also highly market oriented. The company focuses on both customers as well as competitors. PRO-TEC has developed a

system which allows it to monitor its customer's preferences and competitor's actions in the market place. The figure below shows an overall view of this system. The system also allows it to review all new products that are introduced.

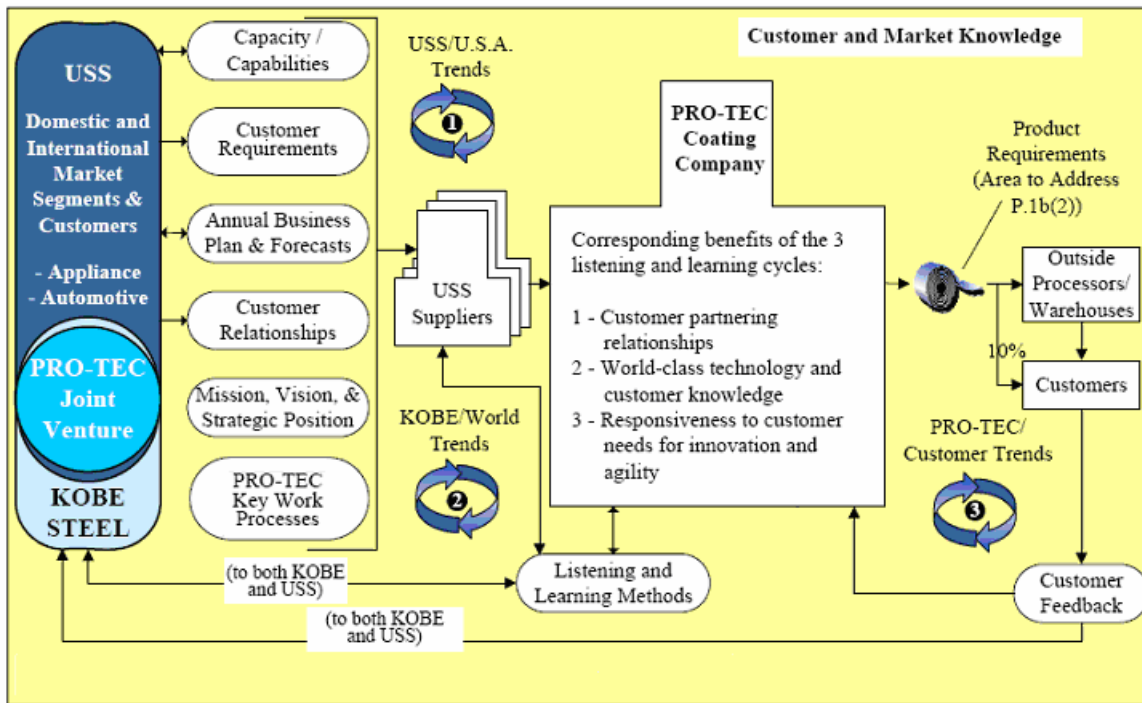


Figure 6.3: Customer and market knowledge at PRO-TEC (PRO-TEC, 2007)

Competition is considered from two different perspectives at PRO-TEC. First PRO-TEC looks at competition within the same industry. Second, since the nature of the products is “raw material” the firm also looks at alternative materials as a source of competition. At the present, the firm enjoys a competitive advantage over its immediate competitors. This has been achieved in part due to its market strategy, as well as due to the technical expertise provided by its parent firms. Threat from foreign competitors is almost marginal due to the just-in-time requirements of its customers. The following table summarizes the key competitors within the industry:

Competitive Position		
Company	Key	Market Share
PRO-TEC		15%
USS**	P	12%
Competitor A	C	37%
Competitor B	C	16%
Competitor C	C	5%
All Others	C	15%
<i>Key: C=Competitor & P=Partner</i>		

Table 6.12: Competitive position of PRO-TEC (PRO-TEC, 2007)

Overall the company has adopted three key market orientation strategies to be more market focused. The company has a system to monitor customer preferences. Moreover, PRO-TEC works in close collaboration with its partners. Finally, the company keeps a close eye on its competition.

Adoption of market orientation at PRO-TEC

- Systems used to monitor customer preferences
 - Working with partners
 - Adopting of a system to monitor competitors actions
-

Table 6.13: Adopting market orientation at PRO-TEC

6.4.3.3 Customer orientation

In addition to being market oriented, the firm is very much customer focused. “The knowledge that USS and KOBE possess about their current and potential customer requirements is an attribute that PRO-TEC has taken advantage of to make us a world-class leader in the automotive industry” (PRO-TEC, 2007). Most of the customers for the firm have either a one or a two year contract. The firm targets and focuses on those customers that have the need for the most advanced types of material. This enables the

firm to keep the types of customers it wants to target, as well as those customers that it understands the requirements of. This policy has resulted in a 100% sale of its products, which is based on a 100% capacity production! The firm is very much dedicated to meeting customer requirements and satisfying them in the best possible manner. PRO-TEC, through various sources, collects feedback from its customers and then tries its best to improve upon its products and services.

Adoption of customer orientation at PRO-TEC

- Knowledge of current and potential customers
 - Adopting quality according to customer preferences
-

Table 6.14: Adopting customer orientation at PRO-TEC

6.4.4. Strategic orientations' impact on performance

6.4.4.1 Impact of quality orientation on performance

Adopting quality orientation has enabled PRO-TEC to benefit from a number of important factors. Currently the company holds the second highest market share within its industry. The company along with its parent business, USS, holds about 27% of the market share. It is also the leader in terms of revenues. PRO-TEC's quality of products is considered to be the best in the marketplace. Moreover, the company has been able to decrease on its costs. All of these factors combined have led PRO-TEC to be profitable for twelve years running, which is an amazing feat. Other orientations have also had a positive impact on the performance of the company. These are discussed in the next couple of sections.

The impact of quality orientation on performance	
Quality orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Adopting quality awards standards • Employing highly skilled employees • Continuous professional development of employees • Continuous improvement in all processes 	<ul style="list-style-type: none"> • Second highest market share • Continuously profitable for the last 12 years • Industry leader in revenues • Provides better quality than competition • Has decreased costs

Table 6.15: QO's impact on performance at PRO-TEC

6.4.4.2 Impact of market orientation on performance

Market orientation's impact on performance of the firm has also been great. The factors which are identified, according to literature, with market orientation, show that PRO-TEC has received a great performance boost as a result of following a market orientation. As a result of being market oriented the company has been able to develop innovative products and services for its customers. Moreover the company has benefited from a high level of teamwork within the various levels of the organization. In addition to these factors, PRO-TEC's employees claim to be highly satisfied. The company's financial performance has also benefited from being market oriented. The company's revenues, market share, and profits are all attributed to the adoption of a market orientation.

The impact of market orientation on performance	
Quality orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Systems used to monitor customer preferences • Working with partners • Adopting of a system to monitor competitors actions 	<ul style="list-style-type: none"> • Second highest market share • Industry leader in revenues • Very high employee satisfaction • High level of teamwork within the firm • Continuously profitable for the last 12 years • Developing innovative products • Has decreased costs

Table 6.16: MO's impact on performance at PRO-TEC

6.4.4.3 Impact of customer orientation on performance

Overall the impact of customer orientation on the business performance of PRO-TEC is positive. Customer orientation is said to bring with it a focus on the customer, which is achieved through satisfied employees and higher quality of work. At PRO-TEC employees are highly satisfied, and the quality of the products and services they provide is higher than that of their competition. Furthermore, the company has high levels of teamwork. Finally, profitability of the firm is also a result of customer orientation.

The impact of customer orientation on performance	
Quality orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Knowledge of current and potential customers • Adopting quality according to customer preferences 	<ul style="list-style-type: none"> • Very high employee satisfaction • Provides better quality than competition • High level of teamwork within the firm • Continuously profitable for the last 12 years

Table 6.17: CO's impact on performance at PRO-TEC

6.4.4.4 Overall impact

Although each of the strategic orientations has a positive impact on the performance of the firm, the three of them together have a greater overall impact on business performance. PRO-TEC follows three key strategic orientations: customer, market and quality. Each has a share in impacting the performance of the firm. The company has been able to achieve lower costs. This comes in all areas of work, especially within production. Lower costs are important in increasing profits and lowering costs to customers. PRO-TEC has been an industry leader in new product development. The level of innovation at PRO-TEC allows it to not only improve its existing products but to create new ones. The company's employees are also very satisfied. Overall they are considered to be more satisfied than the employees working in competing firms. Moreover, the company's employees seem to work very well within teams. Financially, despite being a relatively new company, the company has been able capture a very high level of market share. Overall, PRO-TEC has been making a profit for over a decade.

Strategic orientations and their impact on performance	
Strategic orientations adopted	Performance impact
<ul style="list-style-type: none">• Customer orientation• Market orientation• Quality orientation	<ul style="list-style-type: none">• Second highest market share• Industry leader in revenues• Very high employee satisfaction• Provides better quality than competition• High level of teamwork within the firm• Continuously profitable for the last 12 years• Developing innovative products• Has decreased costs

Table 6.18: Impact of strategic orientations on performance

6.4.4.5 Overall impact on customer loyalty

It is slightly difficult to calculate customer loyalty at PRO-TEC due to the nature of its business model. All customer contact is dealt with by its partner, USS, which acts as an exclusive agent. However, the firm maintains other data which lets it know what sort of customers it has and what their requirements are. These are collected through “customer visits, APEX meetings, satisfaction surveys” etc. For PRO-TEC the process of building relationships with customers thus involves an intermediary, USS. However, results indicate that 100% of the output of the company is sold to its customers. Furthermore, being one of the few suppliers that sells high quality, advanced steel material, we can infer that PRO-TEC enjoys a relatively high degree of loyalty from its customers. The company has a good reputation of “cooperation and responsiveness” and has positive referrals from its clients. Customer retention figures suggest that PRO-TEC has a very high level of retention. All of these factors suggest that the firm has one of the highest levels of customer loyalty within the industry.

6.4.5. Conclusion

PRO-TEC has been able to achieve success as a result of a number of key factors. These include its business model and focus on business orientations. Its business model uses the strengths of two well established giants. Moreover, the firm decided to start from scratch, allowing it create its own unique business culture, different from the two parent companies. In terms of strategic orientations, the firm is focused on quality, market and customer orientation. These have allowed it to achieve much success in a relatively short span of time.

6.5. Case 3: Caterpillar Financial Services

6.5.1. Introduction

Caterpillar Financial Services Corporation (CFSC) is a business unit of its better known parent, Caterpillar Inc. which is the “leading manufacturer of construction and mining equipment, gas and diesel engines, and industrial turbines” (CFSC, 2008). CFSC was set up in the 1980s to help customers finance equipment they had purchased from Caterpillar. Currently CFSC is the second largest captive-equipment company with receivables in excess of US \$14 billion (£8.5 billion). Only IBM Credit is ahead of CFSC in the captive-equipment lending market, which is very impressive for a firm which has only been around for a couple of decades.

As an organization CFSC sells its services to Caterpillar’s business units, dealers and users of Caterpillar equipment and engines. Although CFSC has separate human resources, marketing, planning, information technology, legal, accounting/tax and treasury departments, it follows the main company’s corporate policies and standards. Its business model entails that the company keep in mind the needs of some of its key stakeholders. These include the customers, as well as the employees, the shareholders and the community at large. For instance, CFSC does much work in the community, to ensure that it is a socially responsible firm.

The company sells a number of different types of financial products to its customers. These include instalment sales contracts, tax leases, wholesale financing, finance leases,

dealer loans, and government lease purchase contracts. The table below shows a breakdown of these by percentage.

CFSC Products serve a complete range of financing needs			
Finance Type		Finance Type	
Installment Sales Contracts	20%	Finance Leases (non-tax)	16%
Tax Leases	20%	Dealer Loans	8%
Wholesale Financing	17%	Govt. Lease-Purchase Contracts	1%

Table 6.19: CFSC’s product range (CFSC, 2008)

In running its business, the company has identified six “critical success factors (CFSs)” that are important for running the business effectively and achieving its goals. First, the company is focused on customer satisfaction, and not just making the customer happy but delighting the customer. The company aims to do this by “understanding and exceeding” the expectations of its three main types of customers. Second, the firm wants to make sure that its employees are also satisfied. CFSC wants to accomplish this through encouraging “personal growth, rewards achievement” and most importantly it values each employee within the firm.

Third, the company wants to grow its business, and hence focuses on growth. Fourth, the firm believes that it is critical to have good leadership at all levels of the company. Fifth, the firm wants to focus on reliable returns, which they hope to achieve through meeting and exceeding the financial performance plans. And finally, the organization believes in “World Class Core Processes”. The firm wants to achieve world class operational efficiency through the use of Six-Sigma. By following these critical success factors, CFSC has achieved much. Most recently the firm has won the coveted Baldrige

Award for Quality. The rest of the segment looks at some of the strategic business orientations the firm has followed in order to get to its current level of success.

6.5.2. Adoption of strategic orientations at CFSC

6.5.2.1 Market orientation

CFSC is very much a market oriented firm. The company keeps a close watch on competition as well as closely following the preferences of its customers. The company has achieved the status of a market leader, and regularly outperforms the industry's growth rates. CFSC's competitors are local, regional and national banks, as well as credit companies. CIT and CitiGroup/Associates are the two main competitors.

Adoption of market orientation at CFSC

- Keeps a close watch on competition
 - Looks at the preferences of customers
 - Establishes relationships with dealers and users
 - Participates in industry events
-

Table 6.20: Adopting market orientation at CFSC

CFSC uses various surveys to find out what customers think of their competitors. This data is added to reports generated by field employees, as well as with data published in various sources (such as industry sources, ELA, Monitor and SNL Data Source). Together, this data gives CFSC valuable information about the state of the industry and the competition. Knowing the competition and understanding what customers expect helps the company to keep ahead of the competition. Based on this data, CFSC has identified several key advantages over competition, which include:

- “Relationships: CFSC understands the industries served by Dealers and Users of Cat equipment. This allows CFSC to offer value-added services, such as skip-payments during the winter. When asked why they do business with CFSC, Dealers and Users list relationships over 70% of the time.
- Captive: CFSC understands the quality of Cat equipment and can confidently estimate long-term residual value or operating costs. CatBUs (Caterpillar Business Units) and Dealers understand that our shared purpose is to assist in the sales of Cat equipment.
- Merchandising programs: Flexible programs, customized to individual product lines, industries, or regional competition, give CFSC a clear advantage in meeting the needs of CatBUs, Dealers, and Users.
- Efficiency: Through effective Treasury, IT, and other world-class core processes, CFSC acquires funding and transacts business very efficiently. This translates into timely, reliable, and cost-competitive service to our Dealers and Users” (CFSC, 2008).

Besides monitoring the competition and the industry, CFSC takes part in a number of other market oriented processes. For instance, the firm takes part in industry activities, such as trade shows, professional associations and industry seminars. Doing this allows the firm to get a better perspective of its customers (current and potential) and competitors. CFSC has set up close working relationships with their customers (end users as well as dealers). Their feedback helps to create better understanding of industry trends. Moreover, the firm sends its representatives to visit all “important” customers.

This allows the firm to develop a better relationship as well as get a better understanding of the market.

6.5.2.2 Brand orientation

Caterpillar Financial Services Corporation benefits from being a part of the Caterpillar group of companies. As a wholly owned subsidiary, which has the Caterpillar name attached to it, CFSC is able to benefit from the branding that Caterpillar does. Being a Fortune 50 company, Caterpillar places great emphasis on creating a unique image for its firm. Consequently Caterpillar puts much effort into branding. CFSC benefits from these efforts since it is part of the same group. CFSC's logo is very similar to the Caterpillar logo. With the only difference being the extra added word, Financial. This shows customers that the two are the same, or part of the same group. CFSC is marketed in nearly every country where Caterpillar products are sold. All Caterpillar dealerships promote CFSC services. Similarly, the main Caterpillar website too promotes CFSC services. Hence, while CFSC itself may not be doing much branding on its own, its parent company Caterpillar takes that responsibility. Caterpillar is engaged in building the Caterpillar brand and all those companies that are associated with it.

Adoption of brand orientation at CFSC

- Makes use of parent company (Caterpillar's) branding
 - Uses website and other promotional material to create a brand differentiation
-

Table 6.21: Adopting brand orientation at CFSC

6.5.2.3 *Quality orientation*

CFSC has adopted the Baldrige quality award criteria for quality since 1993. The leaders in each of the categories use the criteria in the Baldrige as well as the Tennessee Quality Award (TQA) and analyze the feedback reports they've received. They then look at various avenues for improving. The factors identified for improvement are incorporated into their strategic level plans. Due to their quality focus, the firm has been recognized by a number of quality organizations. It has won the Tennessee Quality Award and more recently the MBNQA.

Adoption of quality orientation at CFSC

- Adoption of Baldrige award's criteria
 - Strategic plans for quality improvement
 - Using of Six-Sigma to improve quality in processes
 - Frequent feedback to improve quality
-

Table 6.22: Adopting quality orientation at CFSC

As part of the quality focus, one of the major methods used in the company is Six-Sigma. Six-Sigma is concerned with the quality of processes within the firm. It helps the firm to improve the quality of the design, implementation and evaluation of processes. This system also helps managers to find out which improvements need to be done and the level of importance that should be allocated to these projects. The figure below gives an overview of this process.

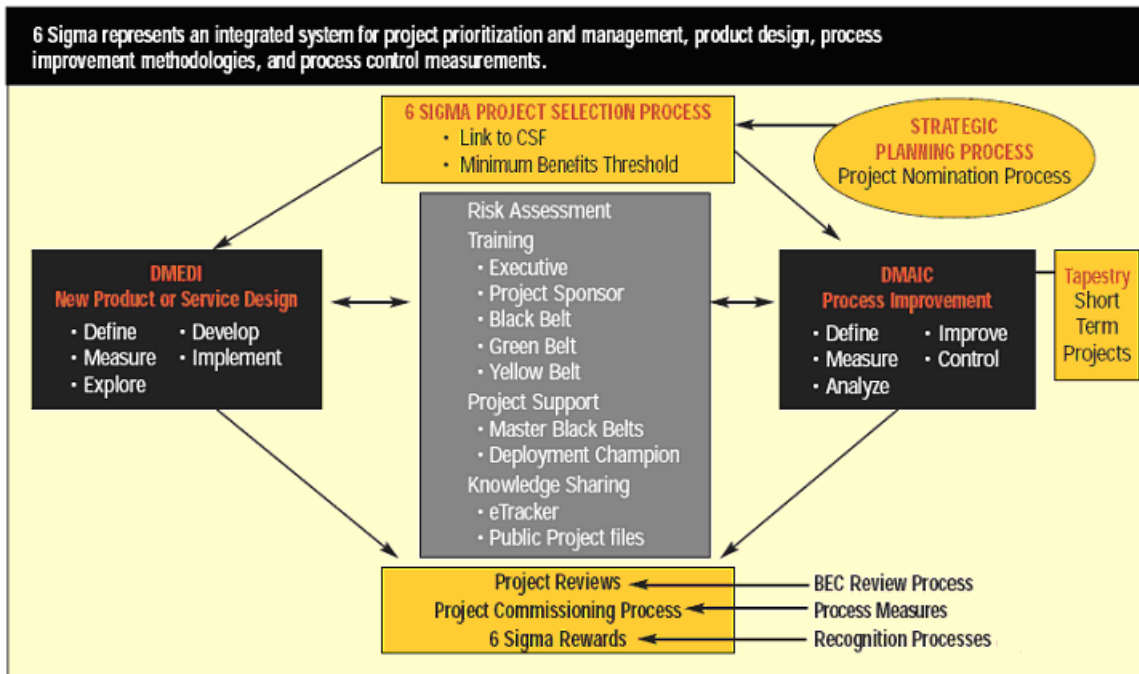


Figure 6.4: Six-Sigma at the company (CFSC, 2008)

6.5.2.4 Customer orientation

CFSC is a highly customer oriented firm. This has been one the major success factors for CFSC. The company works with its parent firm, Caterpillar, in most of its customer focused activities. CFSC has a number of methods it uses to collect market information, to identify new markets and to understand its current customers better.

Adoption of customer orientation at CFSC

- Uses industry councils to finds customer needs
 - Makes use of focus groups and surveys to identify customer’s needs
-

Table 6.23: Adopting customer orientation at CFSC

Industry councils are multi-function teams that work to figure out customer needs, new opportunities in the marketplace, as well as determine industry-specific success factors.

In addition to these councils, CFSC works closely with CatBUs to look at customer requirements. Since, the CatBUs often have closer contact with the customer they are better able to assist CFSC in determining customer requirements. The company also conducts focus groups and surveys of dealers and users. These help the company to collect primary data which is vital in finding out more specific answers about customer needs and wants. The surveys also help to capture customer satisfaction levels, and help to identify key drivers for satisfaction / dissatisfaction. The table below shows the various methods that CFSC uses to listen to its customers.

CFSC uses a combination of approaches to listen to and learn from our customers. Uses: 1. Process Improvement, 2. Planning, 3. Customer Satisfaction, Loyalty & Relationship Building, 4. Product Development, 5. 6 Sigma, 6. Competitive Analysis			
Listening Approach	Customer Group	Frequency	Method
Surveys	Users, Dealers, CatBUS, Competitors	Varies	Written and phone surveys
Focus Groups	Users, Dealers	As needed	RDA Consultant
Complaint Resolution	Users, Dealers, CatBUS	Daily/Weekly	Daily input and survey comments
TMs and MCs	Users, Dealers, CatBUS	Daily	Individual interaction
Daily Operations Data	Users, Dealers, CatBUS	Daily	Information Systems, User and Dealer contact, credit applications, etc.
Dealer Association Meetings	Dealers	Ongoing	Face-to-face
Nashville Visits	CatBUS, Dealers, Users,	Ongoing	Face-to-face
Cat Industry Councils	Users, Dealers, CatBUS	Monthly/Quarterly	CFSC Representative
User, Dealer, CatBU Visits by CFSC Leaders	Users, Dealers, CatBUS	Ongoing	Face-to-face presentations
CustomerExpress	Users	Real Time	Phone, Electronic
Benchmarking	Users	Ongoing	Face-to-face, Phone, Surveys
Customer Relationship Review	Users	Annual	Face-to-face

Table 6.24: Customer focus at CFSC (CFSC, 2008)

One of the important things that the firm does in its focus on the customer is segment customers. Customer segmentation is done on the basis of several key criteria. This includes factors such as the industry that the customer belongs to. Another key factor is the application. This refers to the end use of that product. The same truck, if used for

two different processes will result in the product being placed in two different segments. A third factor for segmentation is customer demographics. Finally, the transaction size is considered a vital factor for creating segments.

6.5.2.5 Service orientation

Caterpillar Financial Services Corporation is a firm that is highly service oriented. The company has focused on providing a high level of service to its customers and hence has managed the whole organization around this strategic orientation. One of the main factors that help the organization to be service oriented is the use of information within the firm. Another important factor is the employees and their service orientation.

“The effective use of information allows CFSC to add value to a generic commodity such as money” (CFSC, 2008). With the help of the effective use of information, CFSC is able to create value through providing better services to their customers. They are also able to produce new and better services for consumers. Information gathering, processing, and dissemination are key factors that allow the firm to produce high quality services. “Understanding processes, customers, expected outcomes, and feedback mechanisms all contribute to high performing work systems” (CFSC, 2008).

Adoption of service orientation at CFSC

- Use of information (KM) to add value to customers
 - Employees are service focused
 - Developing new services using information systems
-

Table 6.25: Adopting service orientation at CFSC

In addition to the use of information, the company also focuses on its employees. It is the employees that provide the actual service, and hence it is imperative that employees are highly motivated. The firm spends much time and effort to ensure that their employees are satisfied. For instance, the company’s support departments are organized not around the process, but around the expertise of the staff. This allows for decisions to be made quickly and gives the firm the ability to provide the customer with the best possible service. Employees are also rewarded in many different ways. These include “Incentive compensation, merit-based performance appraisals, and educational reimbursements reward initiative” (CFSC, 2008). Figure 6.5 shows employee satisfaction at CFSC. It is evident from the figure that CFSC has been exceeding the national norm.

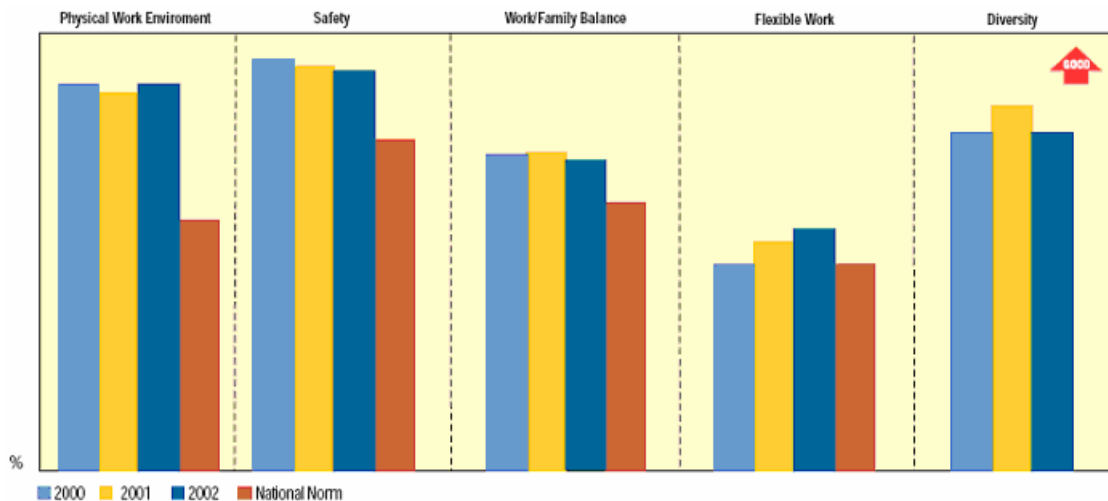


Figure 6.5: Employee satisfaction with work environment (CFSC, 2008)

6.5.3. Strategic orientations' impact on business performance at CFSC

6.5.3.1 Impact of brand orientation on performance

Theories on brand orientation and past literature (see Chapter 5) identified a number of impacts on performance of a company. In this particular case, it appears that CFSC is adopting a couple of important brand orientation policies which are having a direct impact on the profitability of the firm. Due to confidentially reasons the company is unable to give out exact figures; however the company is enjoying profits which are considered to be above that of the industry's average.

The impact of brand orientation on performance	
Brand orientation policies adopted	Performance impact
<ul style="list-style-type: none">• Makes use of parent company (Caterpillar's) branding• Uses website and other promotional material to create a brand differentiation	<ul style="list-style-type: none">• Above average profits

Table 6.26: BO's impact on performance at CFSC

6.5.3.2 Impact of customer orientation on performance

Customer orientation has a positive impact on a number of key performance measures. A customer orientation has led the company to achieve higher quality of service, as well as high levels of employee satisfaction. The company also benefits from a high level of positive teamwork. Overall, greater profitability is attributed to customer orientation at CFSC.

The impact of customer orientation on performance	
Customer orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Uses industry councils to find customer needs • Makes use of focus groups and surveys to identify customer's needs 	<ul style="list-style-type: none"> • Above average profits • High degree of teamwork in the organization • Employee satisfaction levels are above both industry and benchmark levels • Service quality is above benchmarks

Table 6.27: CO's impact on performance at CFSC

6.5.3.3 Impact of market orientation on performance

The company appears to be following four key market orientation policies. These have led the company to experience above average return on assets. Employee satisfaction is also attributed to market orientation, which is at above industry and benchmark levels. CFSC also enjoys a high market share along with great levels of profitability, all due to following a market orientation strategy.

The impact of market orientation on performance	
Market orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Keeps a close watch on competition • Looks at the preferences of customers • Establishes relationships with dealers and users • Participates in industry events 	<ul style="list-style-type: none"> • High Market share • Above average ROA • Above average profits • High degree of teamwork in the organization • Employee satisfaction levels are above both industry and benchmark levels

Table 6.28: MO's impact on performance at CFSC

6.5.3.4 Impact of quality orientation on performance

Quality orientation too has had a positive impact on CFSC. The quality of the service at CFSC is higher than benchmarks, showing that the quality orientation has had an impact on performance. Other benefits of being quality oriented include above average profits, a high return on assets as well as a great market share.

The impact of quality orientation on performance	
Quality orientation policies adopted	Performance impact
<ul style="list-style-type: none">• Adoption of Baldrige award's criteria• Strategic plans for quality improvement• Using of Six-Sigma to improve quality in processes• Frequent feedback to improve quality	<ul style="list-style-type: none">• High market share• Above average ROA• Above average profits• Service quality is above benchmarks

Table 6.29: QO's impact on performance at CFSC

6.5.3.5 Impact of service orientation on performance

Service orientation has had two direct impacts on the performance of the business. The quality of the service at CFSC has improved and is now above the levels of the benchmarks set by the company. Moreover, high levels of profitability are a direct result of following a service orientation.

The impact of service orientation on performance	
Service orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Use of information (KM) to add value to customers • Employees are service focused • Developing new services using information systems 	<ul style="list-style-type: none"> • Service quality is above benchmarks • Above average profits

Table 6.30: SO's impact on performance at CFSC

6.5.3.6 Overall impact

CFSC is a company which appears to be following all five of the strategic orientations. Each of these has had a positive impact on the firm. Together, however, the impact of following all five of these orientations is even greater. The company has benefited from greater levels of service quality, which are much higher than benchmarks. There are high levels of teamwork between the employees of the company. Teamwork also incorporates members from other business units of Caterpillar. Employees at CFSC are more satisfied than their counterparts in the industry. Financially, CFSC has experienced good returns. Its profits are above average, as are the return on assets. Overall, CFSC has achieved much success, which is analyzed in greater detail in the cross case analysis.

Strategic orientations and their impact on performance	
Strategic orientations adopted	Performance impact
<ul style="list-style-type: none"> • Brand orientation • Customer orientation • Market orientation • Quality orientation • Service orientation 	<ul style="list-style-type: none"> • High market share • Above average ROA • Above average profits • High degree of teamwork in the organization • Employee satisfaction levels are above both industry and benchmark levels • Service quality is above benchmarks

Table 6.31: Impact of strategic orientations on performance at CFSC

6.5.3.7 Overall impact on customer loyalty

CFSC is focused on building and maintaining long-term relationships with their customers. They do this through a number of different methods. CFSC believes in meeting and exceeding customer expectations. CFSC tries to make its customers happy by being flexible in approving loans, which sees a majority of their loans get approval. More importantly, the company's strategic orientations have helped it to build and monitor relationships with their customers.

CFSC frequently conducts surveys to measure both satisfaction and loyalty. The financial industry is slightly different from others as customers can have relationships with a number of different financial institutions. For example, a firm may lease equipment from one institute and get a mortgage from another. The two figures below show the level of customer satisfaction and customer loyalty for CFSC's customers. The loyalty figures also compare with other institutes.

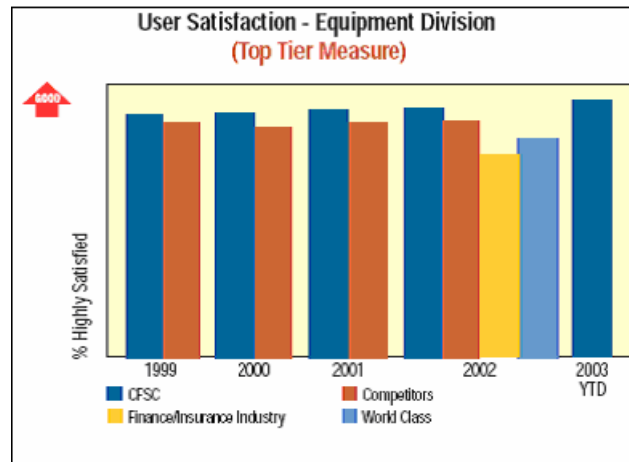


Figure 6.6: Customer satisfaction levels in the equipment division (CFSC, 2008)

CFSC continues to outshine competition in terms of customer satisfaction. This figure shows the number of customers who said they were highly satisfied. CFSC also outperforms what is considered to be “world class” levels of highly satisfied customers in its industry.

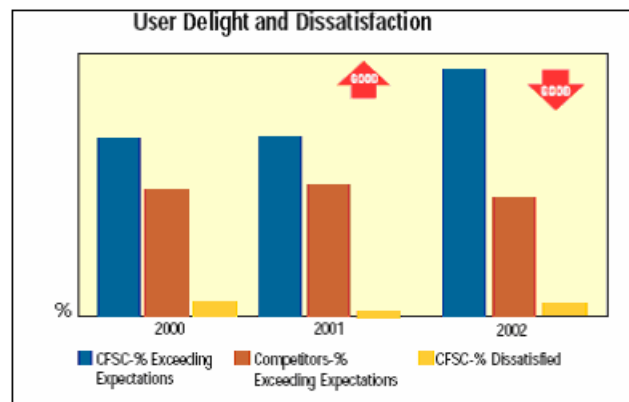


Figure 6.7: User delight and dissatisfaction (CFSC, 2008)

Between 2000 and 2002 CFSC increased their lead over competitors in terms of exceeding expectations of customers. This is an important indicator of customer delight, which is vital in building customer loyalty. Following the five strategic orientations has led the company to achieve loyalty levels of over 80 percent.

6.5.4. Conclusion

CFSC is one of the leading financial firms within its industry. The company has grown and progressed much. The company has a number of key factors it uses to create competitive advantages. From a strategic perspective, CFSC follows a number of strategic orientations, these include: customer orientation, market orientation, brand orientation, quality orientation and service orientation. By adopting these orientations the firm has been able to continuously outshine competition in winning customer loyalty.

6.6. Case 4: Park Place Lexus

6.6.1. Introduction

Park Place Lexus (PPL) is an automobile dealership focusing on the popular Lexus automobiles based in Texas, USA. It has two locations in Plano and Grapevine. The company sells both new and used Lexus automobiles, as well as providing support services for these vehicles. Support services include the sale of parts and servicing of the automobiles. PPL is a member of the Park Place Dealerships (PPD), which is a group of eight dealerships across the USA that has twelve franchises.

Products/Services	Description	Method of Delivery to Clients
<i>Automotive Sales</i>	New Lexus Sales Pre-owned Certified and Non-Certified Lexus Sales Pre-owned Non-Lexus Sales	Call Center Sales Assistance Showroom sales and On-line sales On- and off-site deliveries
<i>Automotive Service</i>	Automotive Repair and maintenance Complimentary Loan Car availability Mobile Service and 24-Hour Road Side Assistance Vehicle Detail and Complimentary Car Wash Aftermarket Product Installation and Maintenance	Pick up and delivery from home/work Mobile Service home/work On-site repair shops Internet and Call Center Service assistance Loan car process
<i>Parts Sales</i>	Wholesale and Retail Lexus Parts sales Special order Parts sales Boutique sales	On-site pick-up, boutique Off-site delivery On-line order and boutique
<i>Financing</i>	Financing for new and pre-owned vehicles Leasing for new and pre-owned vehicles Extended Service Contracts / Aftermarket Products	In house processing Processing using external vendors On-site and Off-site leasing and delivery

Table 6.32: Products and services at Park Lane Lexus (Lexus, 2005)

Park Place Lexus is considered to be one of the best Lexus dealerships in the United States. Its profits are soaring, and between 2000 and 2004 it grew by a whopping 51.3% (Lexus, 2005). Along with an increase in profits, the company's customer satisfaction has also been amazingly great. In 2004 the satisfaction level for new car sales was 99.8%, which is the highest of any Lexus dealership within the United States. Similarly satisfaction for used cars was recorded at 98%. The table below outlines some of the major awards and recognitions received by PPL.

PPL Awards and Recognition
"Elite of Lexus" award ten times (including 2004)
Rated 1st in Lexus Dealer Delivery Index in 1995, 1996, and 1997.
Rated 1st in New Car Sales Client Satisfaction in TX in '96 & '97.
Rated 1st in Service Client Satisfaction in the state in 1998.
As part of PPD, received the National Auto Dealers Association National Import Dealer of the Year Award in 1998.
As part of PPD, PPL was recognized nationally by the American Import Automotive Dealers Association for our support of charitable organizations.
PPL of Plano was the first auto dealership to ever receive the Texas Award for Performance Excellence – the state Quality Award

Table 6.33: Awards and recognition (PPL, 2005)

The next few sections will examine the strategic orientations that PPL has adopted in order to achieve this magnificent level of success.

6.6.2. Adoption of strategic orientations at PPL

6.6.2.1 Service and quality orientation

At PPL, service and quality focus go hand in hand. Being a service oriented firm the company strives to achieve the highest levels of quality. One of the main methods for achieving this is through an ongoing performance improvement which takes place on every level within the firm. The company continuously monitors, reviews and then plans for performance improvement measures. As part of its performance improvement system, the company provides training to all of its managers and key members. This helps to give these employees a better understanding of the performance improvement system.

Adoption of service orientation at PPL

- Using information technology and knowledge management to gather and transfer knowledge about the customers
 - Developing an employee focus
-

Table 6.34: Adopting service orientation at PPL

Besides managerial training, the firm also goes through a number of methods that help it in achieving the service and quality orientation. “These include meetings, technology, the Organizational Excellence (OE) Department, training, and benchmarking” (PPL, 2005). In addition to these measures, the Information Technology at the firm plays a critical role. It helps to make it easy to transfer knowledge, which is vital for continuous

improvement at the firm. As a result of these activities, PPL has been able to create a high level of productivity. For example, the parts department has been exceeding expected productivity (see Figure 6.8).

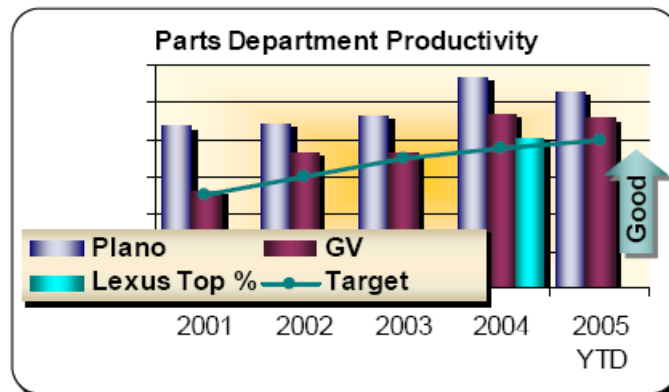


Figure 6.8: Productivity at PPL (PPL, 2005)

Employee focus is highly crucial to both a service focus as well as a quality focus. Employees provide the service and thus usually have the main responsibility for the quality of that service. In order to provide a consistently high level of quality the firm takes a number of steps. The first of these steps is to hire and retain employees according to the skills that have been identified. PPL tries to hire the best people for right job. The company also focuses on succession planning and career progression for its staff. This system ensures that staff are committed and dedicated towards working at the firm, and providing a high quality of service. This system also lets the skilled employees move up the ladder into positions with greater levels of responsibility. Employees are given training throughout their career. This allows everyone to be up to the mark on their skills, and helps the firm to provide a high level of quality.

Adoption of quality orientation at PPL

- Conducts an ongoing performance improvement process
- Trains all managers and key employees to focus on quality
- Benchmarks against the best quality standards
- Employees are focused on quality improvement

Table 6.35: Adopting quality orientation at PPL

6.6.2.2 Customer orientation

PPL’s customers are divided into well-defined customer groups or segments. These segments include: new car sales, used car sales, service and parts sales. Lexus invests much time and effort into finding out the needs and requirements of each of these customer groups. The table below shows an example of these customer groups and their key requirements.

Service	Client Profile Summary	Key Client Requirements
<i>New Car Sales</i>	Median Age: 46 - 52 Income: \$111,300 to \$273,900 Gender: 61% to 78% male Marital Status: 78% to 88% married Education: 67% - 78% college graduates Occupation: Prof./tech., sr. mgr, retiree, self-employed, pres./CEO, Dr., homemaker	- Sales Consultant (courteous, knowledgeable, respected time, honored commitments) – 32% impact - Finance Manager (discreet and efficient, recognized needs) – 21% impact - Vehicle Delivery (personalized to individual) – 20% impact - Impression at Arrival (range of vehicles, salespeople available, greeted promptly, comfortable) – 11% impact
<i>Pre-Owned Sales</i>	Median Age: 45 Income: \$100,000 Gender: 57% male Marital Status: 75% married Education: 69% college educated	- Sales Consultant (courteous, knowledgeable, respected time, honored commitments) – 32% impact - Finance Manager (discreet and efficient, recognized needs) – 21% impact - Vehicle Delivery (personalized to individual) – 20% impact - Impression at Arrival (range of vehicles, salespeople available, greeted promptly, comfortable) – 11% impact
<i>Service & Parts</i>	Clients who purchase a Lexus from PPL, or Clients who purchase a Lexus from another dealership, a broker, or an individual (and thus their profile is the same as above)	- Quality of Service (courtesy, appropriate explanation, informed of additional work, review of service) – 36% impact - Ease of Doing Business With (provided time estimate, greeted promptly) – 20% impact - Service Communications (kept informed, documented service needs) – 18% impact

Table 6.36: Key customer requirements at Park Place Lexus (PPL, 2005)

For PPL, the primary source of customer information comes from Lexus itself. Lexus, in turn uses the market research firm, Gallup's survey to create models about their customer groups. PPL does not rely totally on the Lexus data. Instead they validate the results with their own clients to make sure that their clients fall within the range of the Lexus surveys. PPL gets information from their past, present and potential customers about their expectations and the quality of the services. The figure below shows an overview of this process at PPL.

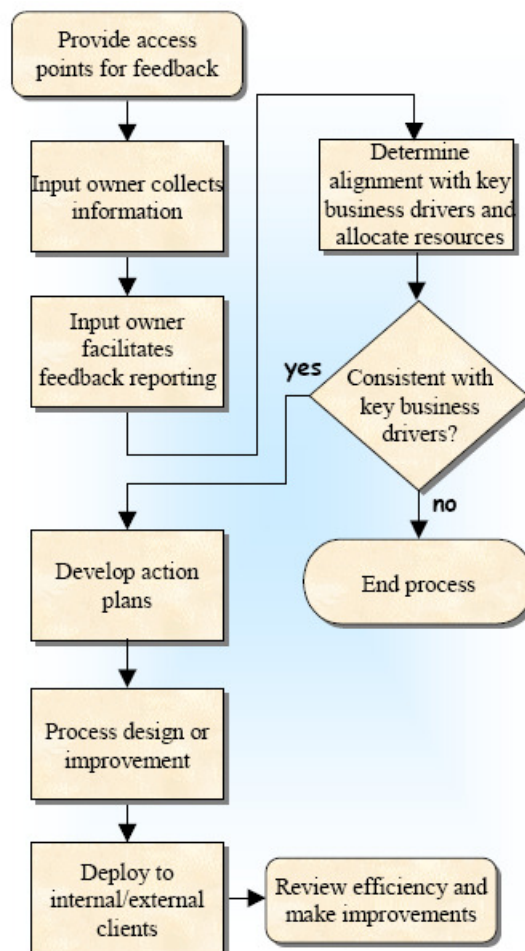


Figure 6.9: Listening to customers (PPL, 2005)

Another important factor in being customer focused is the complaint management system. PPL believes that resolving the complaints of clients is a vital component of their customer focus. Employees receive training on complaint resolution as well as being given power to deal with such situations. The company keeps track of various complaints to monitor any trends. These are then identified and appropriate steps are taken to make sure such events do not take place in the future. The main goal is to make sure that the customer is happy with the quality of the service they receive with PPL.

Adoption of customer orientation at PPL

- Well defined customer segments
 - Finds needs and requirements of each of the customer groups
 - Uses past, present and potential customers to identify needs
 - Good complaint management systems
-

Table 6.37: Adopting customer orientation at PPL

6.6.2.3 Market orientation

PPL actively monitors its market and makes adjustments according to it. For PPL, the main competitors are the other Lexus dealers around its area as well as car dealerships that sell other luxury brands of cars (for example Mercedes, BMW, Porsche, etc.). Within the Lexus dealerships, PPL's sites in Plano and Grapevine are faring well. Both of these sites are ranked in the top 26, out of 213 Lexus dealerships, in terms of new car sales volume, and both are ranked in the top 13 in terms of service sales gross profit.

In addition to keeping an eye on the competition, PPL also works closely with suppliers and partners. The primary partner is Lexus, which is a part of the Toyota motor

company. Lexus provides both the parts as well as the new vehicles for sale. Lexus also provides other useful data to the firm, which helps it keep abreast of the market place.

Over time, PPL has developed strategic competitive success factors that enable it to outperform its rivals. These factors include: “Client Driven Excellence, Valuing our Members and Partners, Managing for Innovation, and Agility” (PPL, 2005). By focusing on these factors, PPL has been able to successfully beat competition, and to attract and retain customers.

Adoption of market orientation at PPL

- Continuously monitors and adjusts to markets
 - Works in collaboration with partners and suppliers
 - Uses innovation to stay ahead of the competition
-

Table 6.38: Adopting market orientation at PPL

6.6.2.4 Brand orientation

As a firm, PPL is brand oriented both directly and indirectly. The company sells Lexus cars and parts, and services Lexus vehicles. Lexus is a part of Toyota the largest automobile company in the world. Toyota spends much money on advertising the Lexus brand. Lexus being a new luxury car had to compete with traditional luxury car makers such as Mercedes, BMW, Audi, etc. Hence, to capture a significant portion of the market, Lexus had to spend much on advertising and creating a unique brand identity. Toyota does not associate itself with the Lexus brand, to allow Lexus to have its own identity. This identity is created by being brand focused. Thus, indirectly PPL benefits from brand orientation.

In terms of direct brand focus, PPL itself does much marketing. There are a number of competitors that PPL has to deal with in the marketplace. To distance itself from competition and to create its own image PPL has had to adopt a brand orientation approach. As part of its branding process, PPL advertises mainly in the local media. This includes things such as advertising in the local radio channels, magazines and newspapers. Furthermore the company maintains a website for its two centres. This website is then linked with the main Lexus website, allowing the customer to browse through the various Lexus automobiles. The company maintains its own separate identity on the website by providing information about the company, which is different to Lexus.

Adoption of brand orientation at PPL

- Makes use of Lexus' branding (e.g. web page, TV ads)
 - Does local market advertising to create brand preference
 - Uses the website for marketing a brand preference
-

Table 6.39: Adopting brand orientation at PPL

The next section looks at the impact these orientations have had on business performance at PPL.

6.6.3. Strategic orientations' impact on business performance

6.6.3.1 Brand orientation's impact on performance

Park Place Lexus has used a number of branding policies, making use of both Lexus' branding efforts as well as doing their own brand focused work. These branding efforts have resulted in an increase in revenues for PPL. In fact the revenues at PPL are much

higher than that of all of their competitors. Similarly, a brand focused strategy has enabled the company to enjoy profits which are higher than competition.

The impact of brand orientation on performance	
Brand orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Makes use of Lexus’ branding (e.g. web page, TV ads) • Does local market advertising to create brand preference • Uses the website for marketing a brand preference 	<ul style="list-style-type: none"> • Above average profits • Revenues higher than competitors

Table 6.40: BO’s impact on performance at PPL

6.6.3.2 Customer orientation’s impact on performance

Customer orientation too has had an impact on the overall profitability of the firm. However, it has also affected a number of other important areas. This includes having a high level of employee satisfaction, which is over 75%. The company also enjoys high levels of constructive teamwork. Furthermore the company’s service quality level is considered to be top notch. The company has the highest level of quality of services within the Lexus dealerships in the United States.

The impact of customer orientation on performance

Customer orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Well defined customer segments • Finds needs and requirements of each of the customer groups • Uses past, present and potential customers to identify needs • Good complaint management systems 	<ul style="list-style-type: none"> • Employee satisfaction at over 75% • Service quality and customer service is top within Lexus dealership • High level of team work • Above average profits

Table 6.41: CO's impact on performance at PPL

6.6.3.3 Market orientation's impact on performance

Market orientation's impact on profitability has a direct impact on the market share of the firm. The company's market share is over 51 percent, the highest in the industry. PPL also has the highest revenue levels within the industry. Its revenues exceed that all of its competitors. In addition to high levels of profits, the company enjoys a high level of return on investments (ROI). The ROI is higher than the average firm.

The impact of market orientation on performance

Market orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Continuously monitors and adjusts to markets • Works in collaboration with partners and suppliers • Uses innovation to stay ahead of the competition 	<ul style="list-style-type: none"> • Market share of over 51% • Revenues higher than competitors • Employee satisfaction at over 75% • High level of team work • Above average profits • Above average ROI

Table 6.42: MO's impact on performance at PPL

6.6.3.4 Quality orientation's impact on performance

Quality orientation's impact is on a number of factors ranging from a financial impact to the quality of customer services. Among the financial impacts, PPL has benefited from higher than industry average ROI, revenues and profitability. PPL also enjoys the largest market share. Moreover, a quality focus has had a positive impact on the company's service quality, making it the best in the industry.

The impact of quality orientation on performance	
Quality orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Conducts an ongoing performance improvement process • Trains all managers and key employees to focus on quality • Benchmarks against the best quality standards • Employees are focused on quality improvement 	<ul style="list-style-type: none"> • Market share of over 51% • Revenues higher than competitors • Service quality and customer service is top within Lexus dealership • Above average profits • Above average ROI

Table 6.43: QO's impact on performance at PPL

6.6.3.5 Service orientation's impact on performance

A service orientation helps the firm to produce higher quality of services. PPL is ranked not only as the best within the Lexus dealerships but also is ranked in the top 25% of all car dealerships in the United States.

The impact of service orientation on performance	
Service orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Using information technology and knowledge management to gather and transfer knowledge about the customers • Developing an employee focus 	<ul style="list-style-type: none"> • Above average profits • Service quality and customer service is top within Lexus dealership

Table 6.44: SO's impact on performance at PPL

6.6.3.6 Overall impact on business performance

PPL is using a mix of strategic orientations to achieve its goals. The mix involves all of the strategic orientations, and has helped PPL achieve much financial benefits. The benefits include higher levels of employee satisfaction, greater teamwork between the members of the organization and better quality of services. The impact on performance includes a high market share, coupled with greater revenues, above average ROI and greater profits.

Strategic orientations and their impact on performance	
Strategic orientations adopted	Performance impact
<ul style="list-style-type: none"> • Brand orientation • Customer orientation • Market orientation • Quality orientation • Service 	<ul style="list-style-type: none"> • Market share of over 51% • Revenues higher than competitors • Employee satisfaction at over 75% • Service quality and customer service is top within Lexus dealership • High level of team work • Above average profits • Above average ROI

Table 6.45: Impact of strategic orientations on performance

6.6.3.7 Overall impact on loyalty at PPL

PPL places great emphasis on building relationships with its customers. “Frequent, personalized contacts and attention to detail are at the heart of (the company’s) relationship strategy” (PPL, 2005). Customer and market research help PPL to find out what the customers want, and what the competition is offering, thus allowing it to develop services that would exceed the expectations of its customers. In following the various strategic orientations, the company has been able to build long lasting relationships with its customers.

From a customer satisfaction perspective, PPL has been doing well. Over the years the level of satisfaction has been increasing, as outlined in Figure 6.10, below. PPL’s customer satisfaction levels are over 69%, which is much higher than that of its highest competitor which is 62%. However satisfaction alone does not determine customer loyalty.

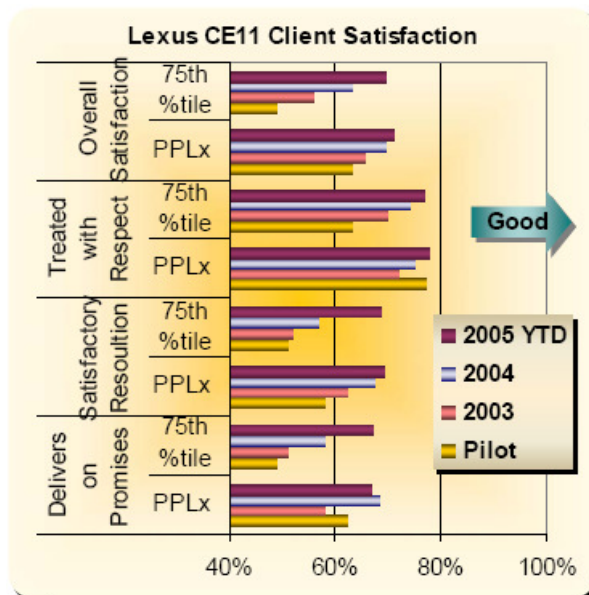


Figure 6.10: Client satisfaction at PPL (PPL, 2005)

In terms of retention, which is a major factor of customer loyalty, PPL has been performing very well. It may be difficult to measure loyalty for car sales (due to the time factors involved); but it is relatively easy to measure retention levels for the service side of the firm. In terms of service retention the company has been doing really well. In fact, they have been outperforming the national average and the local average consistently (see Figure 6.11). For PPL the retention levels are over 60%, which places them in the highest category for customer loyalty within its industry.

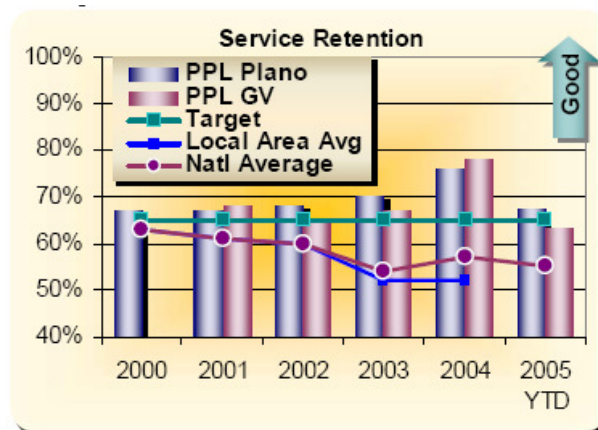


Figure 6.11: Service retention at PPL (PPL, 2005)

6.6.4. Conclusion

Park Place Lexus is one of the leading Lexus dealerships in the United States. PPL follows a number of strategic orientations which include a focus on the customer, market, brand, quality and service. Being able to understand the customer and keep abreast of market moves, the company is able to design and deliver services whose quality is beyond the expectations of its customers. This allows the company to develop

lasting relationships with its customers. PPL has achieved a high level of satisfaction, and its retention levels exceed both local and national levels.

6.7. Case 5: Premier Inc.

6.7.1. Introduction

Premier Inc. is an alliance of healthcare providers consisting of 1,700 hospitals and over 43,000 healthcare sites around the United States. It is the largest of such alliances in the US, and is owned by 200 not-for-profit organizations. Premier is responsible for administering the alliance between these hospitals and healthcare sites. They operate three strategic business units (SBU), which include: “group purchasing and supply chain management, insurance and risk management, and informatics and performance improvement (including comparative measurement and reporting systems, benchmarking, and best-practice transfer)” (Premier, 2006). Premier is able to achieve an advantage in these three sectors due to the economies of scale provided by the large number of participants in the alliance.

The company’s group purchasing unit has an annual turnover of over \$25 billion (£15.5 billion) and is ranked as the number one of such firms. Similarly, Premier Insurance Management Services (PIMS), has the most comprehensive database of performance indicators for healthcare providers. The table on the next page shows a list of all of Premier’s SBUs, along with their customer groups and their requirements.

BU	Product/Service	Delivery Method	Customer Group and Requirement
Purchasing Partners (PP) Group purchasing and supply chain services	Group contracts through which healthcare buyers may purchase supplies, pharmaceuticals, and equipment at competitive terms	Direct. Standing access to contracts provided through electronic catalogs and systems. Contracted sellers provide purchased goods directly to Members holding group purchasing <i>participation agreements</i> with Premier.	<i>Member hospital/healthcare organizations</i> <ul style="list-style-type: none"> • Contract price, differentiated value (7.1) • Comprehensive, competitive portfolio (7.1) • Leading-edge technology and products (7.1) • High quality suppliers (7.1) • Effective contract launch <ul style="list-style-type: none"> ▪ Contract timeliness (7.5) ▪ Data accuracy (7.5) • Code of Conduct (7.6)
	Professional/technical support for purchasing/supply chain improvement	Direct. Provided through Premier consulting/advisory staff, typically onsite. Supply Chain Improvement Plans (SCIP), collaborative work groups, educational meetings, studies.	<i>Member hospital/healthcare organizations</i> <ul style="list-style-type: none"> • Total Value (7.1) • Data, benchmarking, best practices (7.1) • Customer support and field expertise (7.1, 7.5) • High "touch"; involvement
Healthcare Informatics (HI) Advisor Suite and performance improvement services	<i>Advisor Suite™</i> healthcare performance measurement and reporting system	Direct. Standing access to comparative databases and associated tools through Web-based application	<i>All U.S. healthcare systems regardless of Premier affiliation, Government agencies (CMS), Pharmaceutical companies</i> <ul style="list-style-type: none"> • Data integrity, accessibility, and timeliness (7.1, 7.5) • Customer support (7.1) • HIPAA (7.6)
	Advisory services: Professional/technical support for performance improvement	Direct. Provided through Premier consulting/advisory staff, and Performance Engineers, typically onsite. Rapid Improvement Portal	<i>All US healthcare systems regardless of Premier affiliation</i> <ul style="list-style-type: none"> • Savings/Return on investment (7.1) • Data, benchmarking, best practices 7.1)
Premier Insurance Management Services (PIMS) Insurance and risk management	Management services for risk-bearing liability insurance company of some Owners (AEIX)	Direct. Premier furnishes executive and operations management for the company.	<i>Member hospital systems meeting minimum self-insured requirements</i> <ul style="list-style-type: none"> • Competitive pricing (7.3) • Broader policy terms and conditions (7.3) • Educational programs (7.1) • Loss mitigation (7.1, 7.3)
	Sponsored insurance programs involving group arrangements with insurers	Group arrangements provided by Premier. Insurance coverage provided by insurers to Members consistent with group arrangements.	<i>Member hospital systems meeting minimum self-insured requirements</i> <ul style="list-style-type: none"> • Competitive pricing (7.3) • Broader policy terms and conditions (7.3) • Enhanced service offerings (7.1, 7.3) • Streamlined enrollment process (7.5)

Table 6.46: Major products and services at Premier (Premier, 2006)

Premier Inc. has set itself the following set of roles (Premier, 2006):

- Create value for owners
- Improve quality, reduce cost
- Facilitate knowledge transfer

- Improve organizational health
- Grow the enterprise
- Improve financial health.

Premier has been a successful firm over the years. In terms of cash return to members, it has outperformed its competition every year since 2002 (see Figure 6.12).

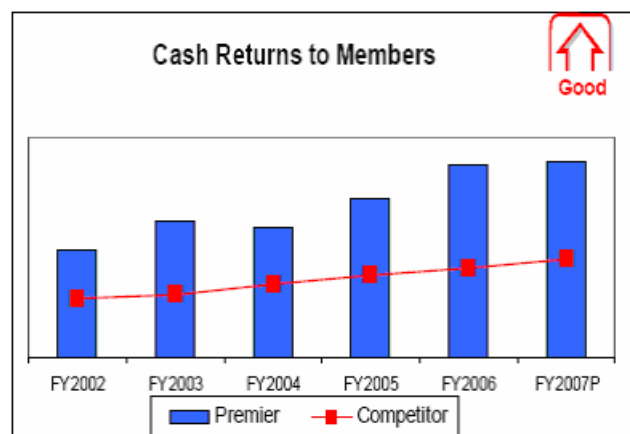


Figure 6.12: Cash returns to members (Premier, 2006)

Furthermore, the firm's pre-tax operating income has reached \$223 million (£138 million), which exceeds that of its largest competitor. Another important indicator is the operating margin, which has gone up from 35% to an amazing 50% (Premier Inc., 2006). During the same period (2003 – 2006) the operating expenses were kept below all of the competitor's levels. The company has achieved these great levels of success by following and adopting several strategic business orientations. These orientations and their impact on loyalty are discussed in the next few sections.

6.7.2. Adopting strategic orientations at Premier

6.7.2.1 Quality orientation

Premier has adopted the Baldrige criteria for improving its quality. The Baldrige criteria are the main quality determinants being followed in the firm. The firm uses this framework for assessing and improving the level of quality within each segment of the company. It then uses internal and external examiners to assess their progress. The feedback from examiners is then used to further improve its systems.

Premier uses two main systems with the Baldrige criteria, which include robust process improvement tools and improvement plans and teams. The two systems help the company to communicate, carry out, evaluate and learn from the process improvement as well as to improve, spread and sustain all of its quality systems. Premier also uses Six-Sigma throughout the whole of the organization.

Adoption of quality orientation at Premier

- Following the Baldrige criteria for quality
 - Internal and external examiners are used to monitor quality
 - Using Six Sigma
 - Adopting a quality focus in planning
 - Quality in every process
 - Employee training to focus on quality
-

Table 6.47: Adopting quality orientation at Premier

As a quality focus, the company's main goals are to continuously monitor and improve every aspect of its organization. A quality focus is not just implemented in every department of the firm, but also in every process. Improving processes is perhaps more

vital for Premier due to the nature of its business. The firm also places great emphasis on employee training, making sure that employees can adhere to the quality philosophy at the firm.

6.7.2.2 Customer and market orientation

Premier’s focus on the customer as well as the market includes identifying key factors related to these two. This includes the “identification and determination of current and potential Premier customers, customers of competitors, and market segments” (Premier, 2006). Premier uses a five step processes to achieve this (see Table 6.48, below).

<i>Step</i>	<i>Process</i>
1	Review Inputs (Market Research, through BI, FS, Current Customers)
2	Determine Access (Ranking and Targeting, Board Relations, Geography, Volumes, Relationships)
3	Pursue (Uses Assessment and Customer Specific Information)
4	Sell (Market Basket, Shoot Outs, RFP, Meetings)
5	Recap & Celebrate (Assess Successes and Opportunities, Reward and Recognize Efforts)

Table 6.48: Customer and market knowledge (Premier, 2006)

Premier gathers all sorts of information such as market research and customer satisfaction surveys. This information is then used to identify and figure out what the key customers are demanding. For Premier, the level of interaction with its customers, who are also partners, is high. The owners of healthcare services share useful information with Premier, allowing to them to create a better picture of customer needs and demands, as well as Premier’s own performance levels.

Adoption of market orientation at Premier

- Gathers market research data
 - High interaction with customers
 - Creates value for partners
 - Engagement with alliance members
-

Table 6.49: Adopting market orientation at Premier

The company uses a number of different methods to get information about its customers. These include focus groups, surveys, databases, and market research. This information helps the company to find key customers, and then to figure out the types of services these customers are looking for. This process also helps the company to develop new services for its customers and allows the company to focus completely on the customer. By centring the company around the customer, Premier has being allowed to prosper.

In addition to focusing on the customer, Premier is also very much focused on the market. Premier is a firm that falls under the Group Purchasing Organization (GPO) market. This market is made up of over 1,100 different types of GPOs. Out of these GPOs, there are seven companies that are in the national hospital market. These seven companies together make up 85% of the American hospital marketplace. Out of these seven firms, Premier is the leading firm in terms of turnover. Some of the factors that allow the firm to have a strategic advantage over its competitors include: easy entry into the alliance, a high level of value created for alliance participants, a large number of resources and services offered to alliance members, and great depth and scope in the level of engagement with alliance members. These factors have been identified as critical in allowing Premier to stay ahead of the competition.

Adoption of customer orientation at Premier

- Gathers customer satisfaction surveys
 - Work with customers to find needs and plan for future
 - Uses focus groups with customers
-

Table 6.50: Adopting customer orientation at Premier

6.7.2.3 Service orientation

Premier considers itself to be an organization which is service oriented. Although one of its main SBU deals with providing products, the overall aim of the organization is to be service focused. In being service oriented, Premier can be unique and surpass its competition. One of the main methods that allow the firm to be service oriented is the use of information technology and knowledge management systems. Premier has networked nearly all aspects of its business, both internal and external. Data and information flow through a network that connects its customers, partners and employees. The company makes use of technologies such as the web, email and the internet portal to keep in touch with all of the stakeholders. This system is managed by a team of skilled employees, who are supported by the latest in technology. The company uses both internal and external monitoring systems to regulate its systems to ensure that all of the stakeholders are able to access the relevant information without problems. The main objectives of these systems are to collect information and to disseminate it in the best possible manner. A well informed company, with knowledgeable employees, is able to provide the best possible service to its customers and partners.

Adoption of service orientation at Premier

- Uses information technology and knowledge management to provide services to customers
 - IT and KM are used to feed information to employees for providing them with good services
 - Uses internal and external monitoring to ensure good services
-

Table 6.51: Adopting service orientation at Premier

6.7.3. The impact of strategic orientations on performance

6.7.3.1 The impact of quality orientation on performance

Premier is a company that adopts various quality focused policies. These have helped it to gain numerous benefits. The benefits for premier include a level of customer service which is better than competitors, profits that have been outperforming the industry for four years and return on investments that are above target levels. Similarly, the company benefits from high levels of revenues and a high market share.

The impact of quality orientation on performance

Quality orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Following the Baldrige criteria for quality • Internal and external examiners are used to monitor quality • Using Six-Sigma • Adopting a quality focus in planning • Quality in every process • Employee training to focus on quality 	<ul style="list-style-type: none"> • High market share • Revenues that are higher than competitors • Customer service and quality levels exceeding benchmarks • Profits that have been outperforming industry average for 4 years • ROI above target levels

Table 6.52: QO's impact on performance at Premier

6.7.3.2 The impact of market orientation on performance

Market orientation's impact on Premier includes a number of factors: high levels of employee satisfaction and a high degree of productive teamwork within the firm, ROI, revenues and profits that are higher than competition, and a large market share.

The impact of market orientation on performance	
Market orientation policies adopted	Performance impact
<ul style="list-style-type: none">• Gathers market research data• High interaction with customers• Creates value for partners• Engagement with alliance members	<ul style="list-style-type: none">• High market share• Revenues that are higher than competitors• Employee satisfaction at over 80%• High degree of employee teamwork• Profits that have been outperforming industry average for 4 years• ROI above target levels

Table 6.53: MO's impact on performance at Premier

6.7.3.3 The impact of customer orientation on performance

Customer orientation's impact on performance has resulted in a high level of customer service. Customer service quality levels are higher than 85%, and exceed benchmarks. Similarly, employee satisfaction levels are higher than 80%. The company also benefits from good teamwork within the firm and high levels of profitability.

The impact of customer orientation on performance

Customer orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Gathers customer satisfaction surveys • Work with customers to find needs and plan for future • Uses focus groups with customers 	<ul style="list-style-type: none"> • Employee satisfaction at over 80% • Customer service and quality levels exceeding benchmarks • High degree of employee teamwork • Profits that have been outperforming industry average for 4 years

Table 6.54: CO's impact on performance at Premier

6.7.3.4 The impact of service orientation on performance

Finally service orientation has had a positive impact on business performance. Service orientation has affected customer service levels, which are better than benchmarks. Service orientation also affects profits of the firm.

The impact of service orientation on performance

Service orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Uses information technology and knowledge management to provide services to customers • IT and KM are used to feed information to employees for providing them with good services • Uses internal and external monitoring to ensure good services 	<ul style="list-style-type: none"> • Customer service and quality levels exceeding benchmarks • Profits that have been outperforming industry average for 4 years

Table 6.55: SO's impact on performance at Premier

6.7.3.5 Overall impact on performance

The overall impact on business performance is impressive within its industry. Premier has benefited from a large market share. The company is beating its competitors at all levels. Its revenues are higher than competition, and so is overall profitability. The company also benefits from high levels of ROI, employee satisfaction, as well as customer satisfaction. Overall, the company has had a positive impact on performance as a result of following these orientations.

Strategic orientations and their impact on performance	
Strategic orientations adopted	Performance impact
<ul style="list-style-type: none"> • Customer orientation • Market orientation • Quality orientation • Service orientation 	<ul style="list-style-type: none"> • High market share • Revenues that are higher than competitors • Employee satisfaction at over 80% • Customer service and quality levels exceeding benchmarks • High degree of employee teamwork • Profits that have been outperforming industry average for 4 years • ROI above target levels

Table 6.56: Impact of strategic orientations on performance at Premier

6.7.3.6 Overall impact on customer loyalty

As an organization, Premier believes in establishing long term relationships with its customers, which lead to customer loyalty. Building relationships with customers for Premier is slightly different. Since its clients are the owners of the healthcare services, there are a larger number of people involved in the relationship building process. To build relationships, Premier can use personal interviews with CEOs, meetings with

customer executives, involve customers in committees, and create annual improvement plans with customers.

To monitor the progress of these relationships, Premier looks at customer satisfaction levels. Customer satisfaction levels give the company an indication of the quality of the relationship. The company uses a number of different tools to measure the level of customer satisfaction, as shown in the table below.

Customer Satisfaction Determination Inputs		
<i>Process Type Formal(F), Informal (I)</i>	<i>Frequency</i>	<i>Customer segment</i>
Independent customer perception survey (CEO Satisfaction) (F)	Annual and Periodic	Owner, market segment competitor, organization type
Accelerated Solutions Environment events and mini-ASDs for suppliers (I)	Periodic	Owner, supplier groups as appropriate
Group Purchasing Services customer satisfaction survey (F)	Periodic	Owner including owned, leased or managed hospitals
Contracted Supplier satisfaction (F)	Annual and Periodic	Type of product and service
Informatics customer satisfaction survey (F)	Annual and Periodic	Informatics customers, performance improvement work group participants
PIMS customer satisfaction survey (F)	Annual	AEIX membership
Focus groups (I)	Periodic	Owners by segment
Individual project service evaluation (I)	Periodic	Owner customer

Table 6.57: Customer satisfaction determination inputs (Premier, 2006)

This system of monitoring customer satisfaction seems to be doing well. Figure 6.13 shows that Premier has outpaced the benchmark for customer satisfaction in 2005. The

level of customer satisfaction continues to grow. The company benefits from customer satisfaction levels of over 90%.

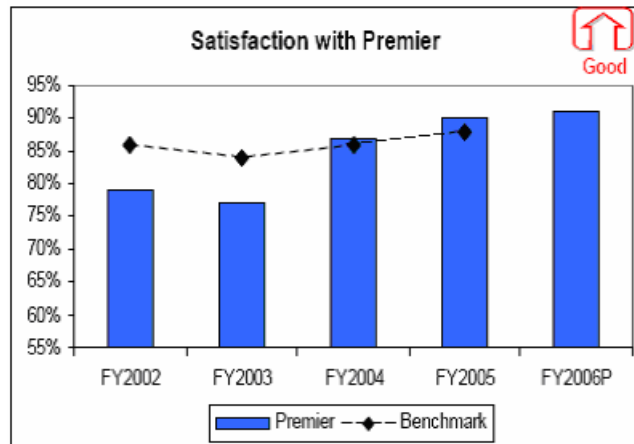


Figure 6.13: Satisfaction with Premier (Premier, 2006)

One of the cornerstones of the relationship building process is mutual goal setting at Premier. Premier works with the clients to mutually set goals and targets for the desired levels of performance and service. Premier's focus on the customer, mutual goal setting, quality orientation, a focus on service and market allows it to develop, maintain and enhance customer loyalty. The two figures below show that Premier's level of loyalty has been rising, both with customers as well as with purchasing partners.

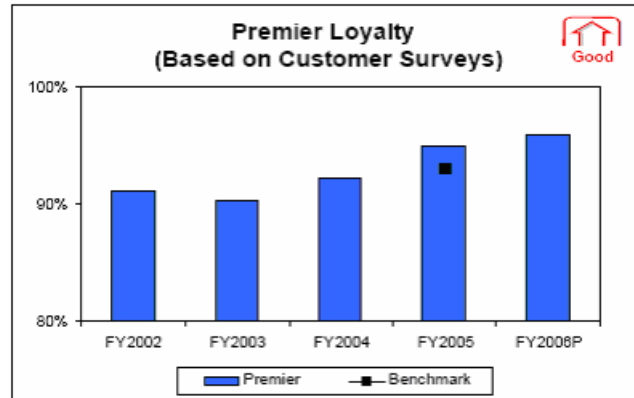


Figure 6.14: Loyalty at Premier (Premier, 2006)

The levels of loyalty seem to be outperforming the benchmarks and have reached levels close to a hundred percent (97%), which is a remarkable feat for any firm.



Figure 6.15: Purchasing partners' loyalty (Premier, 2006)

6.7.4. Conclusion

Premier is not only one of largest alliances of health care providers, it also benefits from continuously being profitable as well as having high levels of customer loyalty. The company has been able to achieve all three of these factors due to their continued focus on several key areas. These include being quality focused, making sure that the

company adheres to the principles of the Baldrige award, and having a service focus by adopting the latest in information technology and knowledge management. They have also been able to achieve this success by following customer and market orientations, finding out what the customers want, and providing that service to customers better than competitors.

6.8. Case 6: Sunny Fresh Foods

6.8.1. Introduction

Sunny Fresh Foods, Inc. (SFF) is a manufacturer of egg-based food products that sells its products to the food service industry. The company started its life as Wrightco Company, but when it was bought in 1985 by Cargill, Inc. its name was changed to Sunny Fresh Foods. Cargill, Inc. wholly owns SFF and since its takeover, the company has been transformed radically. It has become the specialist in a niche market as a value added egg-based products company. The company has grown both in size (to include newer facilities) and in terms of its quality. SFF won its first Baldrige award for quality in 1999, and the second in 2005. The company has “grown value for its customers and all stakeholders through its focus on continuous improvement and performance excellence” (Sunny, 2005).

The company has a range of over 160 different products which include “zero cholesterol and fat-free egg-based products, pre-cooked frozen and refrigerated entrees, precooked frozen scrambled and diced eggs, refrigerated and frozen liquid pasteurized eggs and scrambled egg mixes, and peeled hard-cooked eggs” (Sunny, 2005). Its products are

sold to two thousand plus business customers all across the United States. In addition to selling products, the company also provides services to customers, which include helping customers to develop food products, create new recipes, assisting customers in the use of products, helping them in supply chain management and technical support. The mission of the company is:

Sunny Fresh Foods will be the preferred supplier of quality, value-added food products serving primarily the foodservice industry. We will be a best-cost producer and a leader in developing and implementing innovative products, processes, and services to meet the needs of an evolving global marketplace (Sunny, 2005)

Sunny Fresh Foods has been performing well since its inception. Besides winning two Baldrige awards, the firm has achieved a high level of satisfaction among its customers in both the products and services it sells. The figure below shows customer satisfaction levels at the firm from 2001 to 2005. The company has achieved and maintained high levels of satisfaction in all areas ranging from quality, delivery and service to value.

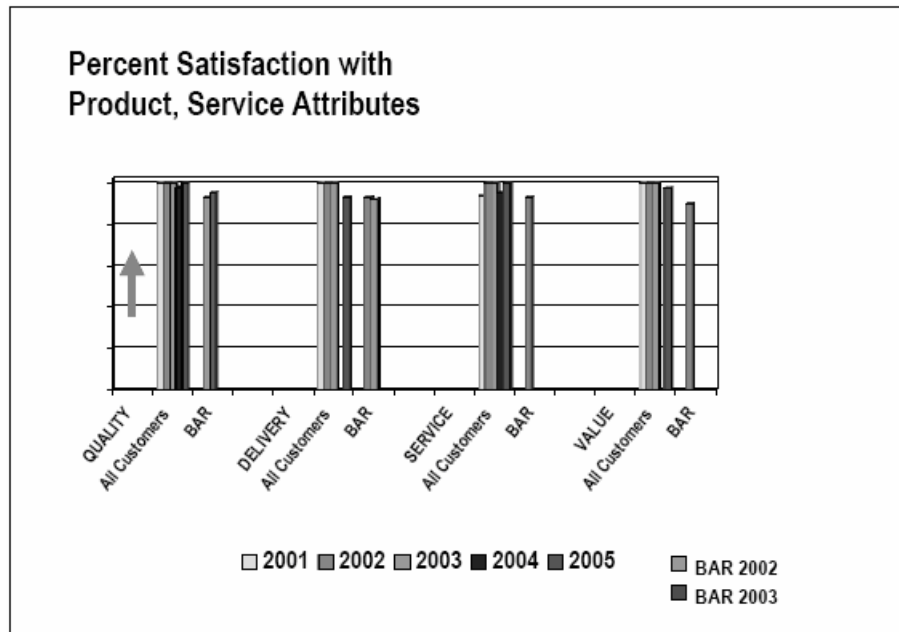


Figure 6.16: Satisfaction with products, and service attributes (Sunny, 2005)

6.8.2. Adopting strategic orientations at Sunny

6.8.2.1 Customer and market orientation

Part of the reason for SFF's success is its focus on and dedication to its customers. As part of this dedication, the firm places great emphasis on trying to understand the customer's current and future needs. Nearly the whole firm is involved in this process and may include elements from the "Sales, Marketing, Customer Service, Product Development, Purchasing, R&D, Technical Services, and Distribution" departments (Sunny, 2005).

Adoption of market orientation at Sunny

- Understanding customer needs
 - Work with partners
-

Table 6.58: Adopting market orientation at Sunny Fresh Foods

As an industry, there are three main product categories, including, bulk sale, dried/ immediate consumption and value-added egg-based products. SFF operates only in these three categories. All of its customers are currently based in the United States. Although the company plans to grow internationally, it has not done so for a number of reasons. One of the main reasons is the heightened levels of security post 9/11. Other reasons include the high demand for egg-based products within the US, avian diseases in international market places, and issues related to consumer health awareness.

Adoption of customer orientation at Sunny

- Focuses customer by understanding current and future needs
 - Whole firm is involved in understanding needs of customers
-

Table 6.59: Adopting customer orientation at Sunny Fresh Foods

6.8.2.2 Quality orientation

Sunny Fresh Foods has focused much on improving its quality. This has resulted in recognition in the form of two Baldrige awards for the company. The company has a policy which believes in providing quality products and services to its customers through the adoption of total quality management practices. The following is the quality policy at Sunny Fresh Foods:

Sunny Fresh Foods will safely provide our internal and external customers with products and services that meet all requirements. Our company will represent quality to our customers, suppliers, and ourselves, by doing it right the first time through Total Quality Management (Sunny, 2005).

For SFF, it is important that the company not only focus on providing quality to its external customers but also to its internal customers. The company's belief in TQM helps it to continuously improve the systems across the whole of the organization.

The level of quality is taken according to the expectations of the customers. Thus, the customer dictates what level of quality the firm will aim to achieve. Moreover, the firm strongly believes in a zero defects policy. It is through these beliefs that SFF has achieved high levels of quality, which have resulted in satisfied customers.

Adoption of quality orientation at Sunny

- Following the Baldrige criteria for quality
 - Using TQM techniques to continuously improve quality
 - Customer dictates quality
 - A system that improves quality across the organization
-

Table 6.60: Adopting quality orientation at Sunny Fresh Foods

6.8.3. Strategic orientations' impact on business performance at Sunny

6.8.3.1 Customer orientation's impact on performance

Sunny Fresh Foods is the only food manufacturing company within these six case studies. The company sells mostly to other business customers and is a customer

focused company. As a result of being customer focused the company has been able to achieve high levels of service quality. These levels are higher than industry average and above targets. The company also enjoys high employee satisfaction levels, which are essential for employee productivity. Finally, the company has been able to create competitive advantages that are hard for competition to follow.

The impact of customer orientation on performance	
Customer orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Focuses customer by understanding current and future needs • Whole firm is involved in understanding needs of customers 	<ul style="list-style-type: none"> • High employee satisfaction • High service quality levels • Competitive advantages

Table 6.61: CO's impact on performance at Sunny Fresh Foods

6.8.3.2 Market orientation's impact on performance

SFF is also following a market orientation strategy, keeping a close watch on the whole market, including its competitors. As a result of being market oriented the company has been able to decrease its costs. The company also, by working closely with its customers, has been able to develop new products and services. Profit figures were not available for the firm; however revenues have been stated as being above target.

The impact of market orientation on performance

Market orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Understanding customer needs • Work with partners 	<ul style="list-style-type: none"> • Revenues above target • High employee satisfaction • Develop new products • Decrease costs

Table 6.62: MO's impact on performance at Sunny Fresh Foods

6.8.3.3 Quality orientation's impact on performance

Finally, a quality orientation strategy has also benefited SFF. The company has benefited from a decrease in costs, which is mainly due to a decrease in wastage. Furthermore, the company has benefited in higher levels of service and product quality. These levels are higher than those of the competition. Overall the revenues have also been impacted, as they are above target and above industry average.

The impact of quality orientation on performance

Quality orientation policies adopted	Performance impact
<ul style="list-style-type: none"> • Following the Baldrige criteria for quality • Using TQM techniques to continuously improve quality • Customer dictates quality • A system that improves quality across the organization 	<ul style="list-style-type: none"> • Revenues above target • High service quality levels • Decrease costs

Table 6.63: QO's impact on performance at Sunny Fresh Foods

6.8.3.4 Overall impact of strategic orientations on performance

The strategic orientations have had a combined positive impact on the business performance of the firm. This includes numerous factors ranging from higher employee satisfaction to higher levels of revenue. The company’s employees are highly satisfied and on average are doing better than their counterparts in other companies in the industry. The company has been able to develop new products and services to increase its customer and revenue base. SFF has benefited from an increase in the quality of its products and services as well as a decrease in the costs of production. Finally, the firm benefits from increase in revenues.

Strategic orientations and their impact on performance	
Strategic orientations adopted	Performance impact
<ul style="list-style-type: none"> • Customer orientation • Market orientation • Quality orientation 	<ul style="list-style-type: none"> • Revenues above target • High employee satisfaction • High service quality levels • Competitive advantages • Develop new products • Decrease costs

Table 6.64: Impact of strategic orientations on performance at Sunny Fresh Foods

6.8.3.5 Overall impact of strategic orientations on customer loyalty

“SFF uses a systematic, multifunctional approach to developing and maintaining customer relationships that focus on customer intimacy” (Sunny, 2005). Building customer relationships is the final step in the strategic plan for SFF. Relationship building is key to creating customer loyalty at SFF. This is carried out at a number of different points within the organization.

The primary data is collected through sales representatives, who can provide firsthand account information about customers. The information that is collected is then relayed to all of the employees who would be involved in working to create that product or service for the customer. In addition to getting useful information about the customer, SFF believes in selling high quality products and services that are produced ethically. Moreover, SFF provides its customers with support to answer any queries or questions that may arise. These support staff are also instrumental in developing a relationship with clients. What is more, a website and a telephone helpline allow the customer to access information about sales, technical support and services.

Another key area for building relationships is the customer complaint system at SFF. Complaints are forwarded to customer service representatives that collect the information in a database. This information is then used to generate reports, which are then forwarded to all of the stakeholders. Prompt action is expected from all employees upon receipt of the complaint reports. The reports also serve as a basis for identifying areas for improvement of key problem points.

As a part of its customer relationship management process, SFF keeps a close eye on customer satisfaction and dissatisfaction. This information is usually gathered through direct contact with customers. As part of this process, sales representatives continuously monitor the satisfaction level of clients. In addition SFF also receives formal feedback from some of its very important customers. Furthermore, SFF also conducts a customer

satisfaction survey to validate customer satisfaction levels. The figure below shows that overall customer satisfaction at SFF remains very high.



Figure 6.17: Customer satisfaction at Sunny (Sunny, 2005)

Besides looking at customer satisfaction results, the company also keeps tables on customer loyalty levels. Thus far SFF has enjoyed very high levels of repeat purchases, a key component of customer loyalty. Moreover, from the feedback the company has received, customers also report that they would recommend the company to others and would continue to do business with the firm. All of these results combined show that by following the various strategic orientations, SFF's customer loyalty levels remain very high.

6.8.4. Conclusion

SFF is a remarkable company. It has focused on several key factors which have allowed it to succeed in the marketplace. SFF believes in quality, and implements total quality management principles to ensure a zero defect ratio. Furthermore, the company is dedicated to its customers. The expectations of quality to the needs and wants of customers are tracked rigorously. Furthermore, the company keeps a close eye on the market, making sure that it is outdoing its competition. All of these factors seem to lead to high levels of customer satisfaction as well high levels of customer loyalty at SFF.

6.9. Cross-case analysis

After analyzing six case studies we can see that successful companies follow various strategic business orientations. Interestingly, these companies do not follow just one business orientation, rather multiple orientations at the same time. Some companies may follow fewer orientations (PVHS, PRO-TEC and SFF), while others follow all five of these orientations at the same time (Caterpillar Financial and Park Place Lexus). Each company has been able to come up with their own unique mix strategies that they follow in order to achieve and maintain profitability, market share, and customer loyalty. The table below provides an overview of the six case companies.

<i>Company</i>	<i>Brand orientation</i>	<i>Customer orientation</i>	<i>Market orientation</i>	<i>Quality orientation</i>	<i>Service orientation</i>	<i>Loyalty</i>
<i>PVHS</i>		√	√	√		Top 1%
<i>PRO-TEC</i>		√	√	√		High
<i>Caterpillar Financial Services</i>	√	√	√	√	√	Outperforms competition (over 80%)
<i>Park Place Lexus</i>	√	√	√	√	√	High levels of loyalty
<i>Premier</i>		√	√	√	√	Over 97%
<i>Sunny Fresh Foods</i>		√	√	√		High

Table 6.65: Business orientations and loyalty among best practice firms

6.9.1. The impact of strategic orientations on business performance

6.9.1.1 Measuring practice and performance

It is important to look at the impact of each of the orientations on the business performance of firms. While the last section looked at the impact of each of these orientations on the individual firm, to get a better understanding of the impact we need to look at the combined effect of each strategic orientation on business performance. Moreover, an analysis needs to be conducted to analyze the overall impact of the strategic orientations on firms.

Measuring the performance and the practice of each of these is slightly complicated due to the nature of the secondary data available. Each company has its own reporting style and no uniform system exists. Further complicating things was the fact that not all companies reported on the same items of impact (for instance, one firm may talk about ROA, but the other talk about employee productivity). Moreover, the unit of measure

for each of the firm was different. For instance, one firm may say that they have a high employee satisfaction; the other may suggest it was in the top 10% of the US market, and a third may give a different opinion saying it was in the top 25 within the industry. Hence, collaboration of the results was a very tricky task. This made the measuring of performance cumbersome. Nevertheless, we needed to do an analysis that would give us the best possible scores (rather than the exact scores) from the data available. Since the purpose of this study is to look at customer loyalty and not business performance it was not critically important to have exact values for each of these factors. Studying the business impact only works as a guide and is not the main determining factor.

To look at the implementation of the various strategic orientations we first looked at the relationship between the various variables within the case. Each orientation has a set of drivers. These drivers are then operationalized through enablers. The enablers have a direct impact on creating capabilities that allow the company to perform. The capabilities in turn lead the company to achieve a certain level of performance. The figure below shows a diagrammatic representation of this causal relationship.

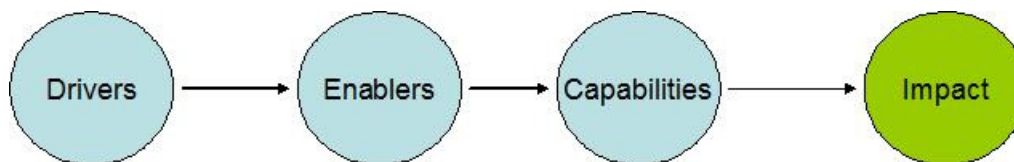


Figure 6.18: Casual relationships between drivers, enablers, capabilities and impact

In measuring the level of strategic orientation adopted for each firm we looked at all of the possible drivers, enablers and capabilities that a firm can have for each of the

strategic orientations. This gave us a comprehensive list of factors that help in creating a strategic orientation for a particular firm (these factors are discussed in detail later on in this chapter). The next step was to figure out which of these factors each firm was actually adopting. These factors were then given a 1 or 0.5 score: 1 was given for a factor which was clearly evident as being adopted from the case study, whereas 0.5 was given to the factor if there was mention of it in the case but a very clear description was not given. By adding up the scores of these factors, and then dividing by the total possible factor we arrive at a percentage. This is the degree of practice of an orientation. This score is then factored on a scale of 1 to 5.

For instance, brand orientation has four drivers, three enablers, and four capabilities. Adding up these gives us a total of eleven, which is the highest possible score for being brand oriented. PPL is adopting approximately 6.5 factors out of a possible 11 for brand orientation. This gives us a 60% degree of brand orientation. On a scale of 5, it gives a score of 3. The same method is applied to all of the orientations and all of the companies. Based on this approach, we get a table which looks like the following:

Practice	PVHS	PRO-TEC	PPL	CFSC	Premier	Sunny	Total for Orientation
Brand Orientation			3	2			5
Customer Orientation	2	2	4	2	3	2	15
Market Orientation	3	3	3	4	4	2	19
Quality Orientation	5	4	4	4	5	4	26
Service Orientation			2	3	4		9
Total for Company	10	9	16	15	16	8	-

Table 6.66: Calculating the practice of strategic orientations in each company

This shows us, in total, the highest degree of business orientation (which includes a total score for all of the orientations). Quality orientation is the one that is being followed to the highest degree, followed by market and customer orientations. The table also shows that PPL and Premier are the two companies that have the strongest level of practice of the orientations out of the six firms.

From this table we can see that PPL and Premier are the two companies that appear to be following a greater degree of combined business orientations as compared to the other firms. Although Premier is following one less orientation than CFSC, it has a higher score because it is practicing more policies related to the orientations.

The next step was to rank each of the business impacts. To calculate the impact, we looked at all of the common variables discussed in the case studies. As discussed earlier, not all of the companies provided information about all factors. Hence, we first filtered out the factors which were common to all of the cases. This was done to get a uniform level for measuring. From the cases, we were able to identify the benefits of each of the strategic orientations (discussed in the next section). It was impossible to measure the degree of each of these variables due to the type of data available. For instance revenue data was given as: above competition, industry leader, top 10% of the US, etc. Therefore it was not feasible to measure the degree of each of these variables. Furthermore, all of the companies studied were considered to be among the best in their league (winners of the MBNQA). Therefore, for each factor present, the company was awarded a point. For instance, out of a possible ten factors, Premier scored 8 under the market orientation strategy. These were then summed up to give a total score of impact. The table below summarizes these.

Impact	PVHS	PRO-TEC	PPL	CFSC	Premier	Sunny	Total impact on Orientation
Brand Orientation			3	2			5
Customer Orientation	6	6	6	6	6	5	35
Market Orientation	6	8	7	7	8	7	43
Quality Orientation	5	6	6	5	7	6	35
Service Orientation			3	3	3		9
Total Impact on Company	17	20	25	23	24	18	-

Table 6.67: Calculating the impact of orientations on performance

The table shows that brand orientation has the lowest overall score of 5. PPL appears to have benefited the most from the orientations with a total impact score of 25. Based on this data and method the analysis of the various orientations is performed. The analysis is presented in the next few sections.

6.9.1.2 The impact of brand orientation on a firm's performance

Adopting brand orientation has several key benefits for a firm. First, branding focus leads to high levels of customer satisfaction. Customers who purchase from the brand will feel that they are dealing with a distinct brand. Therefore they will have a sense of satisfaction that the products and services they are getting from this brand will not be available anywhere else. Companies that sell similar products or services use effective

branding to create this distinction and hence enjoy high levels of customer satisfaction. The distinction also creates a desire to purchase from that brand. This leads to a growth in sales of the brand. High levels of customer satisfaction and an increase in sales also result in eventual growth in profits for a brand. Moreover, these factors lead the company to create higher levels of customer loyalty.

Benefits of brand orientation

- Customer satisfaction
 - Profits
 - Sales growth
 - Customer loyalty
-

Table 6.68: BO benefits

The level of benefits that a company will derive from a brand orientation strategy appears to be linked to the amount of effort they put into the branding. As we can see from the figure below there is a direct link between practice and impact. PPL, with a higher level of practice, is benefiting from a higher level impact. CFSC, in comparison, has a lower level of impact as a result of its lower practice of brand orientation policies.

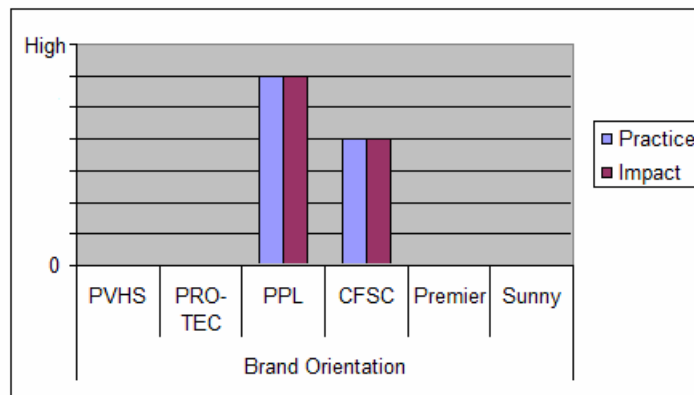


Figure 6.19: The impact of brand orientation on performance

This data can also be plotted on a matrix. Both of the companies surveyed were implementing a brand orientation strategy; however the level of their implementation was not as high as some of the other orientations. This is evident in the matrix. PPL, with a higher level of implementation just manages to fall in the “fully focused” category. CFSC, is on the border of the “poor implementer” category. Meaning they need to adopt more branding policies.

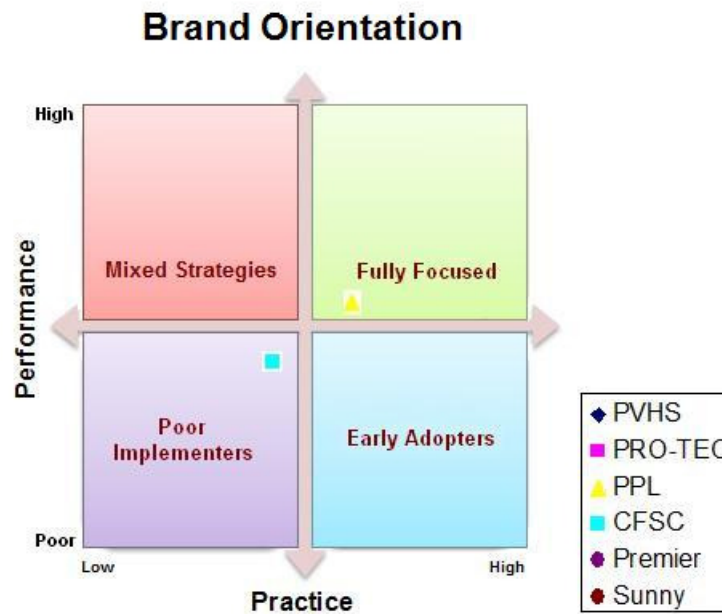


Figure 6.20: Brand orientation matrix, plotting performance vs. practice

6.9.1.3 The impact of customer orientation on a firm’s performance

This section looks at and sums up the various performance benefits that firms have been able to gain through the adoption of customer orientation. The benefits of customer orientation range from service quality to increased loyalty. The first impact a customer

orientation would have on a firm is allow it to produce better quality of products and services. Since the customer is at the centre, and the customer’s feedback is taken at every step, products and services are produced according to their quality standards.

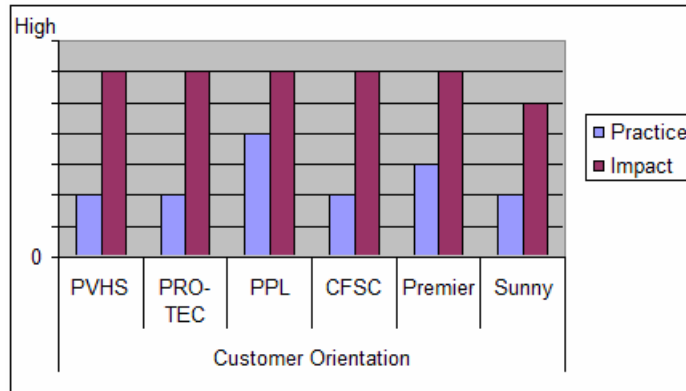


Table 6.69: The impact of customer orientation on performance

Customer orientation also allows companies to have improved performance from their employees. Customer orientation focuses on employee motivation and satisfaction. Moreover, customer orientation also gives more responsibilities and resources to employees to carry out their work. These result in improved performance from employees. A customer orientation allows companies to develop competitive advantages over its rivals.

Benefits of customer orientation

- Customer satisfaction
- Service quality
- Profits
- Competitive advantage
- Employee job performance
- Customer loyalty

Table 6.70: CO benefits

Having an intimate understanding of the customer is the most important of these advantages; however, firms have been able to develop other advantages as well. Overall, the company also benefits from an increase in profitability as compared to companies that do not follow a customer orientation. Finally, a customer orientation allows companies to create higher levels of satisfaction for their customers and eventually create greater levels of loyalty.

The matrix in Figure 6.21 shows the link between customer orientation practice policies and the impact on performance. All six of the companies enjoy high levels of benefits. In practice, only two are fully focused on customer orientation. The rest fall in the “mixed strategies” category, where the result of the business impact is also attributed to other strategic orientations.

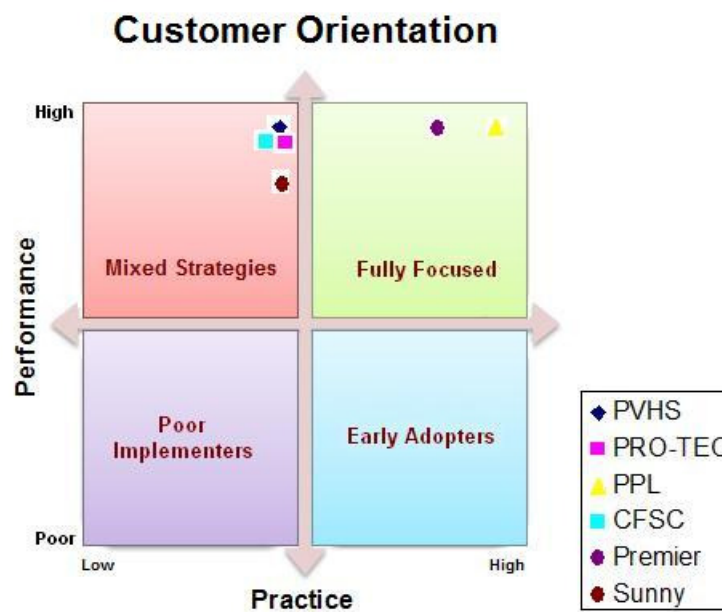


Figure 6.21: Customer orientation matrix, plotting performance vs. practice

6.9.1.4 The impact of market orientation on a firm's performance

Market orientation has positive effects on a number of important variables. Companies that follow a market orientation are better at developing new products and services, since they can react to market changes and come up with new or improved products. These companies also are able to decrease their costs, which helps to improve their profitability. Market oriented firms have a better level of employee commitment and higher levels of customer satisfaction. These firms enjoy growth in sales as well as higher levels of return on assets. Finally these firms enjoy greater levels of market share.

Benefits of market orientation

- Customer satisfaction
 - Employee commitment
 - Sales growth
 - Profits
 - Return on assets
 - New products
 - Market share
 - Decrease in costs
-

Table 6.71: MO benefits

Adopting a market orientation appears to have a positive link with performance. The figure below shows that the amount of effort put into market orientation results in an impact which is greater than the effort. All of the companies seem to enjoy higher benefits as a result of their market orientation practices.

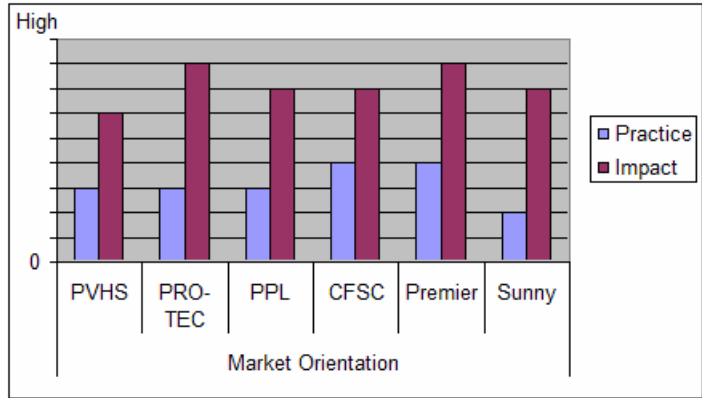


Figure 6.22: The impact of market orientation on performance

Plotting the same data on the matrix shows that most of the companies fall in the “fully focused” category. These companies are those that are following high levels of market orientation policies and are enjoying high levels of benefits as a result of this.

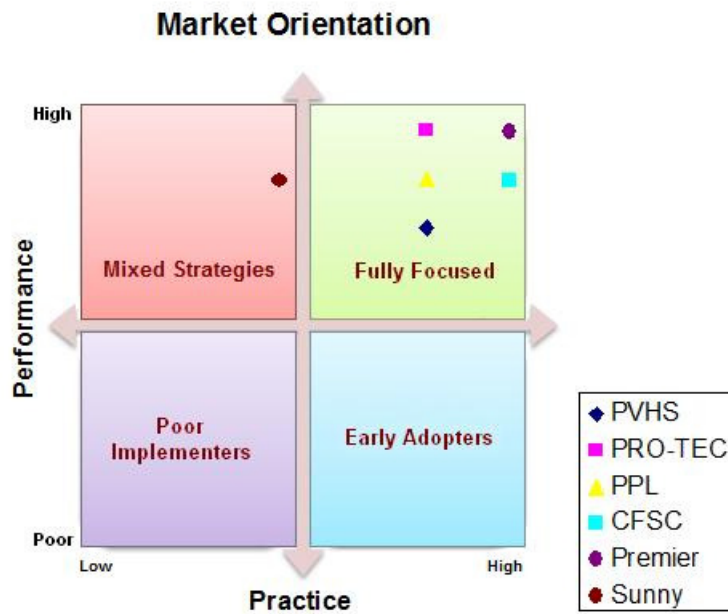


Figure 6.23: Market orientation matrix, plotting performance vs. practice

6.9.1.5 The impact of quality orientation on a firm's performance

Quality orientation has a positive impact on the performance of best practice firms. These benefits include higher levels of customer satisfaction and better quality of products and services. These companies also benefit from a decrease in overall costs, along with growth in sales and increased profitability. Quality orientation also impacts positively on factors such as return on investment and return on assets. Finally, quality oriented firms benefit from an increase in market share.

Benefits of quality orientation

- Customer satisfaction
 - Better quality
 - Profits
 - Sales growth
 - ROI, ROA
 - Market share
 - Decrease in costs
-

Table 6.72: QO benefits

Quality orientation practice vs. performance seems to show a positive relationship. The figure below shows the quality orientation of each of the six firms along with their performance impact. It is evident that the practice of various quality orientation policies results in equal or higher levels of impact.

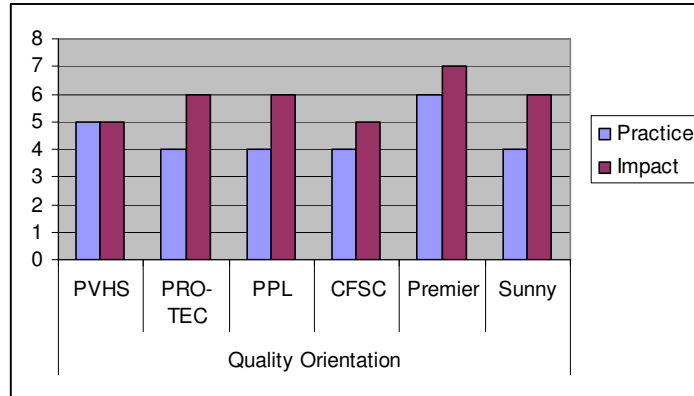


Figure 6.24: The impact of quality orientation on performance

Analyzing the same data in a matrix, we see that all of the companies fall in the fully focused category. All of these companies are implementing quality orientation strategies to a high degree and are reaping high levels of benefits.

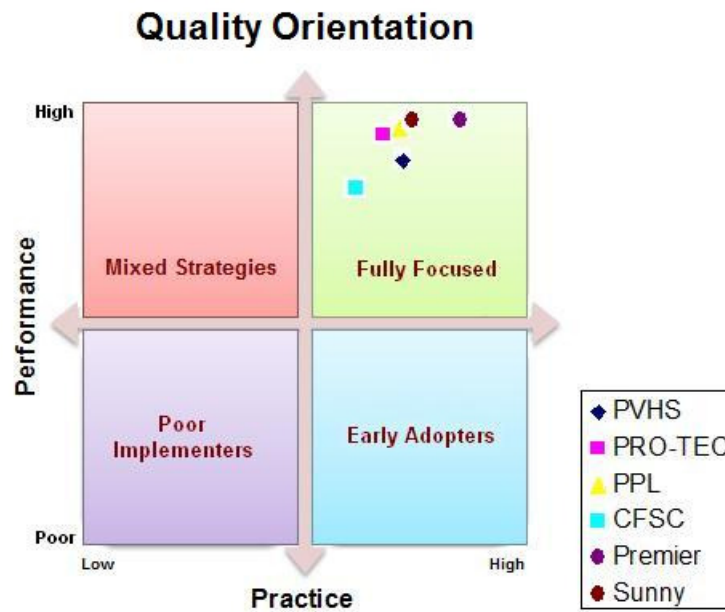


Figure 6.25: Quality orientation matrix, plotting performance vs. practice

6.9.1.6 The impact of service orientation on a firm's performance

Service orientation has several key impacts on a company's performance. These include increased levels of customer satisfaction, better service quality and greater profits. Since the whole company focuses on satisfying customers, service oriented firms have more satisfied customers. Moreover, the company is working towards a system to ensure that the quality of its services is good. This results in higher levels of quality.

Benefits of service orientation

- Customer satisfaction
 - Service quality
 - Profits
-

Table 6.73: SO benefits

The impact on performance as compared to practice is also positive. All three of the firms that are following a service orientation have either a greater or equal impact as compared to the practice of service orientation policies. This shows that the more service oriented a firm is, the more it is expected to achieve an equal or greater benefit.

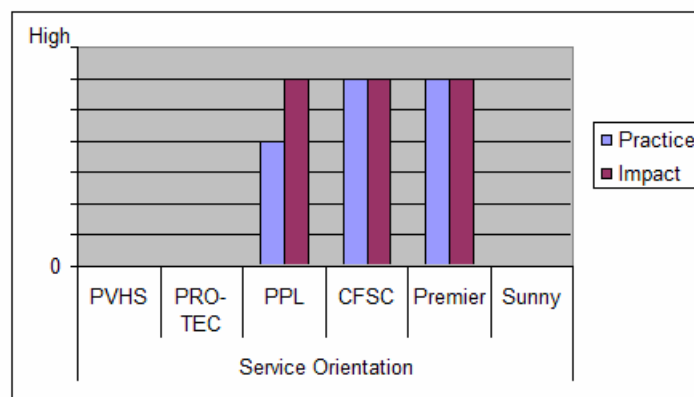


Figure 6.26: The impact of service orientation on performance

Looking at each of the individual firms, we can see that two of the firms are barely in the fully focused category. The third firm is on the border and falls in the mixed strategies category.

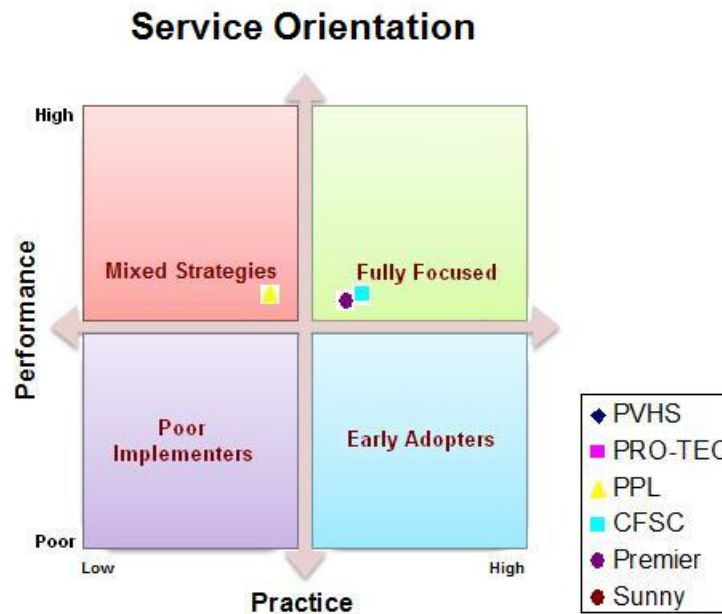


Figure 6.27: Service orientation matrix, plotting performance vs. practice

The last few sections have looked at the impact of various orientations on performance of a firm. To get a better understanding of the impact of strategic orientations we need to look at the overall impact of all of these orientations on performance. The next section will look more closely at this.

6.9.1.7 The overall impact of strategic orientation on a firm’s performance

Looking at the impact of each of the orientations individually, as compared to the practice of policies for each of these firms we can see a trend in the data. From looking at the data we can see that customer, market and quality orientations have the greatest

degree of impact. Adopting more policies of these orientations, or being highly oriented towards these three will lead to a greater impact on the firm. Brand orientation and service orientation too have an impact; however this is either the same as the level of practice or slightly above it.

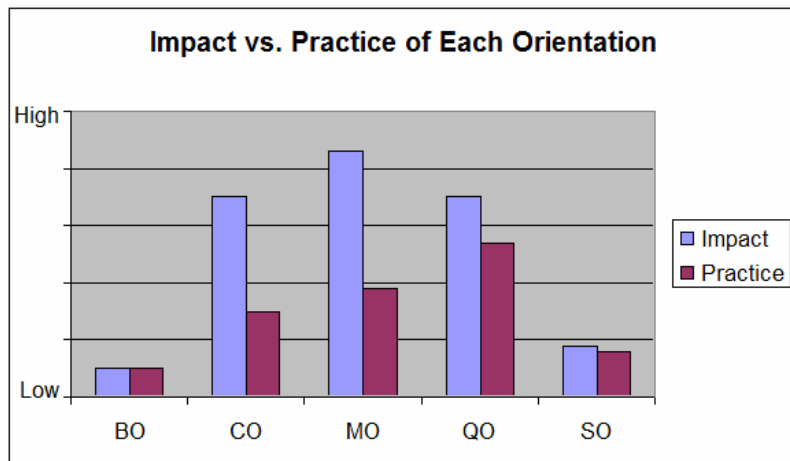


Figure 6.28: The impact vs. practice of various orientations

The analysis of the combined business orientation practice versus the combined impact for each of the firms shows an interesting trend.

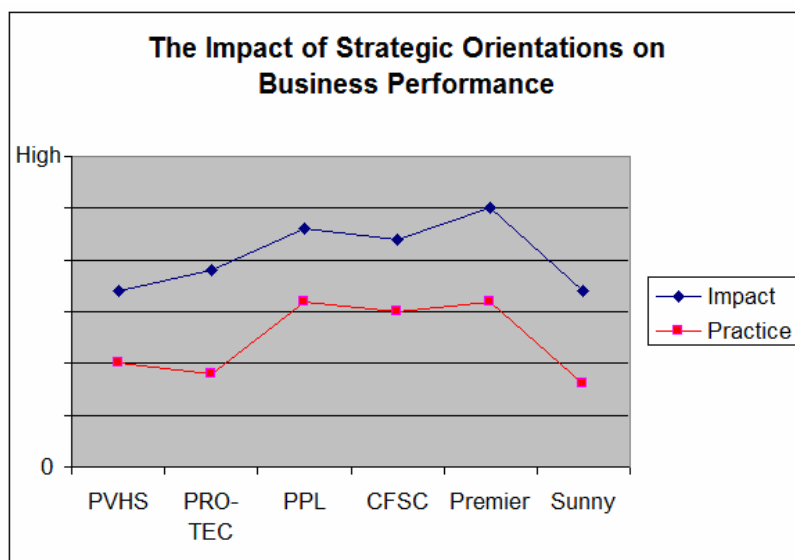


Figure 6.29: The impact of practice on performance

From the graph we can see that there is a positive relationship between the practice of strategic orientations and the impact they have on business performance. As the practice of strategic orientations gets stronger, the business impact goes up. With a lower level of strategic orientation practice, we see that the impact too goes lower. However, from the first figure we saw that customer, market and quality orientations have the greatest impact on performance. Does that mean that companies should only adopt these and forgo using brand and service orientations? To find the answer to these we looked at the combined impact of customer, market and quality (CMQ) orientations as compared to the impact on all five of the orientations, including brand and service. The figure below shows the result of the analysis.

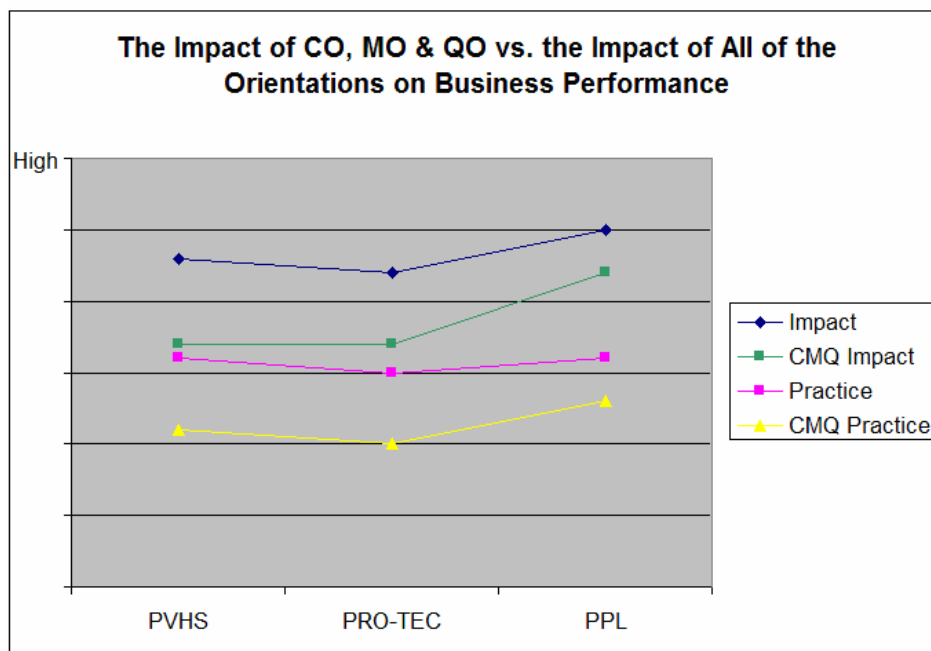


Figure 6.30: The impact of CMQ orientations versus the impact on all of the orientations

The analysis shows that the combined impact of customer, market and quality orientation is pretty high, however when we add the impact of brand and service

orientation it has a positive effect on the impact. The impact goes up as a result of adopting brand and service orientations. The other three firms were not factored into this analysis because they did not adopt either a brand or service orientation. Figure 6.30 shows that while the practice of CMQ orientations (CMQ Practice) produce a higher level of impact (CMQ impact), the practice of all five orientations (Practice) results in an even higher impact on performance (Impact). The result of this analysis shows that all five of the orientations are important in producing greater returns for businesses and generating high levels of customer loyalty.

The data from all five of the strategic orientations can also be plotted on a matrix to get a better understanding of the relationship between practice and performance.

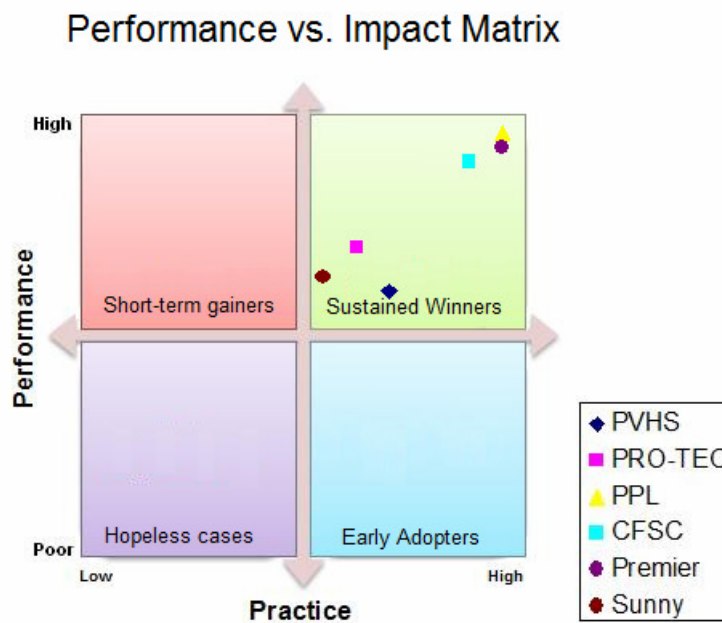


Figure 6.31: Performance vs. impact matrix

Combining all of the strategic orientations creates the performance vs. impact matrix. In this matrix there are four distinct categories. The lower left is for what we can call “hopeless cases”. These companies are those that do not follow any of the strategic orientations and consequently have very low results. The box on top of that is for the “short-term gainers”. These companies would be those that have a low score on the orientations scale, and have achieved a high level of performance. It is proposed that these companies would be those that have made short-term gains as a result of special circumstances rather than them following a particular strategy. Once the special circumstance is removed, these companies would fall down the scale. The upper right corner box symbolizes the “sustained winners” category, where all six of the cases studied fall. These companies have a relatively high degree of strategic orientations and have achieved high results. The box below this is for the “early adopters”. These would be the companies that have adopted strategic orientations but it is too early for them to reap the benefits. For instance, things like market share and customer loyalty take time to develop, and hence, the financial results for these companies would not be very high.

6.9.1.8 The overall impact of strategic orientation on a firm’s loyalty

The next step is to look at the relationship of these strategic orientations with loyalty. Although the impact factor in the previous section did also take into consideration customer loyalty, a closer look at customer loyalty is needed. Companies that fall in the hopeless cases and short-term gainers are more likely to develop lower levels of loyalty, such as behaviourally loyal customers. These companies are not following high levels of strategic orientations and thus would not be focusing on customer satisfaction, services and quality. Therefore, customers with these companies would not really want

to be with them. Adopters of higher levels of strategic orientations move into the prospects category, they would be more likely to develop customers in the next stage, attitudinal loyalty. These companies would be following higher levels of strategic orientation, however not enough time would have passed for the customers to move up to the emotional loyalty phase. As discussed in Study 1, it takes a number of years before a customer moves up to emotional loyalty; hence time would be needed for these customers to mature into emotionally loyal customers. Finally, over time, as these companies improve the adoption of strategic orientations, they would nurture their customers into reaching the emotionally loyal stage and from a performance perspective reach the sustained winners category. The figure below takes a look at what this may look like.

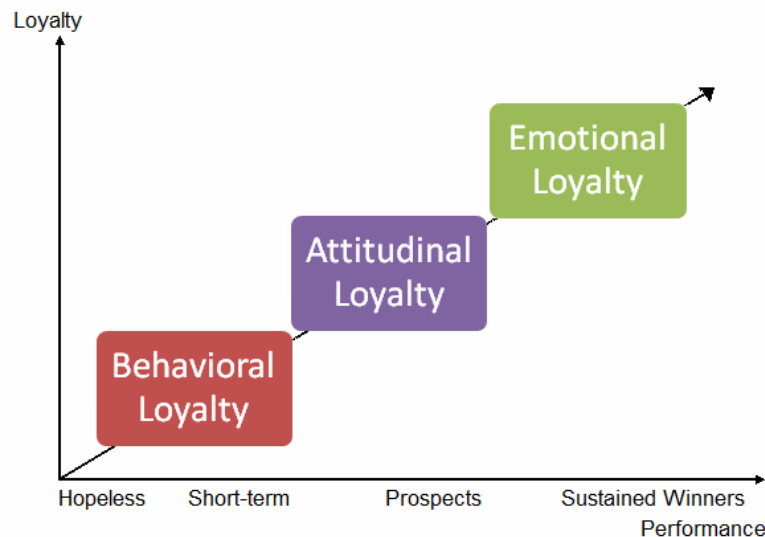


Figure 6.32: Stages of loyalty development through adopting strategic orientations

The case studies have shown that not only do companies that follow high levels of strategic orientations achieve success, but they also develop high levels of customer loyalty. It is now important to analyze these further and look at the drivers, enablers and

capabilities of these orientations. These are important if we want to learn how to apply these in the future. The next section discusses these in detail.

6.9.2. Effective implementation of strategic orientations

The case studies have enabled us to identify key factors that are essential for the effective implementation of the various strategic orientations. Understanding these is useful for firms that may wish to follow this process in the future. It is also helpful to understand these for further analysis and for linking to performance measures and loyalty development. The next few sections will look at each of the strategic orientations that have been adopted by these best practice firms, and look at the key drivers, enablers, and the practice of these within the various firms. Key drivers through enablers allow companies to achieve certain capabilities. These capabilities in turn help companies to create benefits. Each strategic orientation has a separate set of drivers, enablers and capabilities. The benefits that are created are somewhat similar, with slight differences. The main purpose of all is an eventual increase in profitability and higher levels of customer loyalty. These factors are discussed in detail in the next few sections.

6.9.2.1 Effective implementation of brand orientation

Brand orientation has been stated to be an important factor within literature (see Chapter 5). The case studies have shown that two of the companies are following a brand orientation and are reaping benefits as a result of this. This section will analyze what it takes to effectively implement a brand orientation, based on the case studies. An outline of the major factors is presented in the following table.

Drivers, enablers & capabilities of brand orientation		
Drivers	Enablers	Capabilities
Creating processes that revolve around the brand identity	Knowledgeable employees	Deployment of the marketing mix and human resources to deliver a distinctive brand in the customer's minds
Systems that will enable interactions with customers	Performance evaluation systems	Marketing activities that are centred on the brand
Use of retail brand as a symbol of distinction	Top management focus	Benchmarking top brands
Hiring employees that fit into company values		Employees and managers are educated on the brand

Table 6.74: Drivers, enablers and capabilities of brand orientation

6.9.2.1.1 Drivers of brand orientation

Successful brand orientation implementation is driven by several key factors. A company needs to create a process that will revolve around the company's brand identity. The whole firm needs to think about the brand and work towards promoting this brand. More specifically, it is important to create that distinction between the firm's brand and the competition. In addition to this, a company must create a system that will allow interactions with customers. These interactions don't necessarily have to be human interactions. Technology is playing an ever increasingly important role in business. Websites, call centres, etc. can also be deployed to ensure that customers have an interaction with the business. Companies need to use their brand as a symbol of distinction. This helps to ensure that customers keep getting the message that the brand is offering something unique, which others will not be able to deliver. Finally,

companies must hire employees that fit with company values. These employees are ambassadors of the brand, and often, in service firms, are the main line of contact between the firm and the customer. It is important that employees follow the company's values.

Brand orientation drivers

- Creating processes that revolve around the brand identity
 - Systems that will enable interactions with customers
 - Use of retail brand as a symbol of distinction
 - Hiring employees that fit into company values
-

Table 6.75: BO drivers

6.9.2.1.2 Brand orientation enablers

Brand orientation has three key enablers that facilitate the strategy to be implemented in a firm. Top management focus is crucial to the successful implementation of brand orientation. Top management must focus on building a brand oriented culture within the firm. The top managers lead the company, set goals and objectives and also guide others through setting examples. A top management's focus on brand orientation will facilitate effective implementation within a firm.

Knowledgeable employees are the second key factor. In this case the employees need to be knowledgeable about the brand they are promoting. They must know about the values the brand portrays and how they can effectively promote that message to customers. Finally, a performance evaluation system is critical. The performance evaluation system allows companies to find out which of their tools are working, and how effectively they should be working. For instance, companies can monitor their

websites, and the effectiveness of various types of advertising on the websites. Companies are able to get information about the number of customers that liked the ad by clicking on it, or went ahead and placed an order. Other performance evaluation systems must be in place to facilitate effective implementation.

Brand orientation enablers

- Top management focus
 - Knowledgeable employee
 - Performance evaluation systems
-

Table 6.76: BO enablers

6.9.2.1.3 *Brand orientation capabilities in best practice firms*

As a result of the branding efforts in a firm, brand oriented firms have developed special capabilities. A brand oriented firm has the capability to develop a unique set of marketing mix and human resources, which allow it to deliver a distinctive brand in the customer's mind. The marketing mix may consist of factors such as distinctive products, logos, etc. Human resources are capable of delivering the company's message to the customer, allowing them to develop a distinctive feeling about the company's brand. The company also has the capability to create marketing activities centred on the brand. In fact, all that the company does should promote the brand of the company. For instance, radio advertising, websites, etc. should all be working towards promoting the company's brand.

Benchmarking top brands is another distinctive capability. These companies will benchmark the best brands within and outside the industry. This is highly important if a company wants to go beyond what they do to reach a world class level. Finally, both employees and managers should be educated on the brand. The companies, through the use of selective recruitment and training, will then have a group of employees and managers that educated about the brand.

Brand orientation capabilities

- Deployment of the marketing mix and human resources to deliver a distinctive brand in the customer’s minds
 - Marketing activities that are centred on the brand
 - Benchmarking top brands
 - Employees and managers are educated on the brand
-

Table 6.77: BO capabilities

6.9.2.2 Effective implementation of customer orientation

Customer orientation is an important strategic orientation. The analysis thus far shows that all six of the firms adopt customer orientation within their strategies for success. Each of these firms adopted a slightly differing approach to implementing customer orientation. The table below outlines these important factors, after which an analysis of this is presented.

Drivers, enablers & capabilities of customer orientation		
Drivers	Enablers	Capabilities
Finding out who are the customers	Leadership	System for monitoring, analyzing and solving customer problems
Use information to find out what customers want	Organizational Culture	Respond to customer complaints
What is required from the company to make customers satisfied	Quality improvement	Continuously search information about customer
Create a customer focus in the company	Learning	Employees have the resources to solve customer problems
	Employee motivation	Customers give feedback into product development

Table 6.78: Driver, enablers and capabilities of customer orientation

6.9.2.2.1 Drivers of customer orientation

Analyzing the case studies reveals some interesting facts about the drivers of customer orientation within a best practice framework. There are several key drivers that have been identified that would lead companies to effectively implement customer orientation: finding out who are the customers, using information to find out what customers want and what is required from the company to make customers satisfied, and create a customer focus in the company.

Customer orientation drivers

- Finding out who are the customers
 - Use information to find out what customers want
 - What is required from the company to make customers satisfied
 - Create a customer focus in the company
-

Table 6.79: CO drivers

These four drivers are in line with past research (for example see: Slater and Narver, 1994; Zairi, 2000; Karvinen and Bennet, 2006). The first step for a company is to find out exactly who the customers are, and what segments they fall into. Firms must understand what type of customers they are servicing, and also they need to make effective market segments to divide up their customers. The next step would be to use various means to collect information about what these customers want. This would include things such as employees collecting feedback, market surveys, information from suppliers and partners, etc. It would also mean using knowledge management systems and information technology that could facilitate the collection and dissemination of information. Companies further need to understand exactly what it is that needs to be done to make these customers satisfied. Successful firms are not only aiming for customer satisfaction, but are trying to understand what they need to do to delight their customers. Finally, a customer focus throughout the company needs to be created. This is important, as it helps everyone to work towards the same goal, i.e. customer satisfaction or delight.

6.9.2.2.2 *Customer orientation enablers*

Another important factor that needs to be understood in the effective implementation of strategic orientation is the enablers. For customer orientation, the six companies used, in various mixtures, certain types of enablers that helped the company to achieve its customer orientation objectives. The study identified leadership, organization culture, quality improvement, learning, and employee motivation as the critically important enablers for customer orientation within a firm.

Customer orientation enablers

- Leadership
- Organizational culture
- Quality improvement
- Learning
- Employee motivation

Table 6.80: CO enablers

Leadership is important as it helps the company to focus on customers. Leadership also helps to direct the company by setting goals and monitoring the performance of the organization. The culture of the organization is another important factor for customer orientation. An organizational culture must focus on finding out customer needs, and the changes that occur within these needs. The culture has to be focused on the customer, and satisfying the needs and demands of the customer. A good organization culture that is focused on the customer creates an environment where all employees can work towards the common goal. Quality improvement is also an important enabler for

customer orientation. Successful firms work on quality improvement, which allows them to produce better quality products and services. The quality in this case must be according to the demands of the customer. Learning and employee motivation are also part of the equation. Effective learning systems allow employees to learn skills that enable them to be customer focused. Past research shows that motivated employees are more likely to be more productive. Similarly, to effectively implement customer orientation in an organization, employee motivation is very important. Only motivated employees will be able to work towards the goals of the company and strive towards making the customers happy.

6.9.2.2.3 Customer orientation capabilities in best practice firms

Best practice firms have certain capabilities that have allowed them to focus on the customer. A common set of five distinct capabilities have been identified. The first capability is a system for monitoring, analyzing and solving customer problems. Companies must have in place a system that focuses on the customer's problems. This includes both current and potential customers. Companies need to be able to monitor the various needs and problems of customers. Customer focused companies then look at the problems that have been identified and analyze them to see what best ways they have to solve these problems. This is a continuous process, and everyone within the firm is usually involved.

Customer orientation capabilities

- System for monitoring, analyzing and solving customer problems
 - Respond to customer complaints
 - Continuously search information about customer
 - Employees have the resources to solve customer problems
 - Customers give feedback into product development
-

Table 6.81: CO capabilities

In addition to looking at customer's needs, a company should be able to respond to customer complaints. Failure is bound to happen, even in the best of the best firms. However, it is a company's ability to respond to these failures which allows the firm prosper. Many successful firms have put in place complaint management systems, which include information systems, telephone help lines, websites, feedback forms, etc. As part of this process companies have empowered employees to respond to customer complaints.

A third important capability is the continuous search for information about the customer. It is imperative for a customer oriented company to know about its customers. Furthermore, as customer demands, wants and needs change, the company should be abreast of these developments. The company thus not only tries to gather information about what the customer currently desires, but about the customer's future desires. This is done through the continuous collection of information about the customer.

Since employees are important for solving customer problems, they must be given the proper resources to solve these problems. As discussed in Chapter 2, successfully

solving customer problems can lead to customer delight. This can only happen if employees have the appropriate resources available to them to be able to solve these problems.

Finally, an important capability that companies much work on is using feedback from customers in the development of new products. Companies may hold meetings with customers, organize focus groups, and even involve the customer in the design and testing of new products. Involving customers in these processes helps the company to better understand their needs, and make the desired changes before the product is actually launched into the marketplace.

6.9.2.3 Effective implementation of market orientation

This section looks at the effective implementation of market orientation from a best practice point of view. The table below gives us an outline of these.

Drivers, enablers & capabilities of market orientation		
Drivers	Enablers	Capabilities
Create a marketing culture throughout the company	Management style	Organization-wide generation of market intelligence pertaining to current and future customer needs
Make changes within the company to reflect changes in the market	Relationships with stakeholders	Able to measure customer satisfaction
Integrating the whole company to collect market data	Inter-functional communications	Attention to after-sales service
	Employees focus on Market	A system to collect and analyze competitor information All functions focus customer satisfaction

Table 6.82: Driver, enablers and capabilities of market orientation

6.9.2.3.1 Drivers of market orientation

Effective implementation of market orientation requires several key drivers. The first of these is to create a marketing culture through the company. A marketing culture is one that focuses on the needs of the customers, collects information about the competition, and the various departments work together. A marketing culture then directs the whole company in the market oriented direction. Second, the company must make changes that reflect changes in the market. If customers' demands are changing then so too must the company's product offerings. Similarly, if the competition offers a new product or service, then the company must adapt itself to offering competing products and services. Third, the whole company needs to work together to collect market data. This includes both members within the company and those that are linked to it. For instance, data

must be collected by employees, and through distributors, suppliers, partners, etc. Essentially data needs to be collected from as many sources possible. This data then gives the company a better understanding of the market, enabling the company to create effective strategies.

Market orientation drivers

- Create a marketing culture throughout the company
 - Make changes within the company to reflect changes in the market
 - Integrating the whole company to collect market data
-

Table 6.83: MO drivers

6.9.2.3.2 *Market orientation enablers*

Enablers for market orientation are leadership, organizational culture, learning, and employee motivation. Management style helps direct the company towards the market orientation's goals. An effective management style is important, as it enables a firm to develop a market oriented culture in the firm. The second most critical factor is a relationship with stakeholders. Stakeholders include suppliers, dealers, retailers, partners, etc. Successful firms have a good relationship with all stakeholders as it helps them to gather market data, and enables them to better react to market changes. Interfunctional communication is imperative for market oriented firms as it enables them to manage data in a more efficient manner. Better communications allow for better gathering, and transferring of critical data about the marketplace. Finally, employee focus on the market is an important enabler. Employee focus on the market allows for

better performance from the employees. Employees who are focused on the market are better able to work towards the goals of market orientation.

Market orientation enablers

- Management style
 - Relationships with stakeholders
 - Interfunctional communications
 - Employees focus on market
-

Table 6.84: MO enablers

6.9.2.3.3 *Market orientation capabilities in best practice firms*

Companies that are market oriented have certain capabilities that distinguish them from other firms. First these firms have the capability to generate market intelligence within the whole of the organization. The market data gathered allows the firm to assess both current and future customer needs. Second, the firm has a mechanism for measuring customer satisfaction. This is important as it allows the firm to find out if it is meeting customer expectations. Market oriented firms also have the capability to give due attention to their customers' after-sales service needs. Furthermore, these firms have the capability to collect and analyze competitor information, which is critical if the company wants to be able to beat its competitors. Finally, the whole firm is geared towards satisfying the customer.

Market orientation capabilities

- Organization-wide generation of market intelligence pertaining to current and future customer needs
 - Able to measure customer satisfaction
 - Attention to after-sales service
 - A system to collect and analyze competitor information
 - All functions focus on customer satisfaction
-

Table 6.85: MO capabilities

6.9.2.4 Effective implementation of quality orientation

Implementing quality orientation effectively requires key drivers, enablers and capabilities, as outlined in the table below. These important variables are discussed in the next few sections.

Drivers, enablers & capabilities of quality orientation		
Drivers	Enablers	Capabilities
Overall emphasis on quality	Senior management focus	Customer service that focuses on meeting customer needs
A commitment to quality by the employees	Employee participation in management	Customers dictate the level of quality
Consistently improving all aspects of the business	Employee empowerment	Employee have a system to satisfy customers
Finding out the perceptions of quality of the customers	Use of meaningful data	Innovation within the whole company (products, services, processes, etc)
	Focus on processes	System for measuring, analyzing, and continuously improving quality

Table 6.86: Driver, enablers and capabilities of quality orientation

6.9.2.4.1 *Drivers of quality orientation*

There are a number of key drivers for quality orientation. The first of which is an overall emphasis on quality. The whole company needs to place an emphasis on and be focused towards achieving high levels of quality. The second is a commitment to quality by the employees of the firm. They need to be committed to quality in all areas of the work they do within the firm. The company also needs to focus on consistently improving quality in all aspects of its business. This means going beyond the usual improvement of quality in products and services to include areas such as quality of processes, quality within human resources, etc. These drivers are key in the successful implementation of quality orientation in a firm.

Quality orientation drivers

- Overall emphasis on quality
 - A commitment to quality by the employees
 - Consistently improving all aspects of the business
 - Finding out the perceptions of quality of the customers
-

Table 6.87: QO drivers

6.9.2.4.2 *Quality orientation enablers*

There are five critically important quality orientation enablers that firms should follow. The first of these is a focus by the senior management on quality. Senior management's focus allows for creating a culture that is conducive to developing quality within the firm. Employee participation in management is also important. Employees who participate in management decision making bring with them a better understanding of the functional level of the firm, and thus can give better ideas for improving quality.

Moreover, employees need to be empowered. Empowered employees can make decisions about quality. These employees can immediately stop defective processes and products, and can take immediate actions to improve quality. The use of meaningful data is also critically important. Meaningful data pertains to data in all areas of the firm. This includes things such as quality standards, benchmarks, measurements, etc. Knowing what the company is doing, where it wants to go, and what needs to be achieved is an important enabler in the development of a quality focus. Finally, companies need to focus on processes within a firm. Process improvement is critical as it enables companies to continually improve all areas of the firm.

Quality orientation enablers

- Senior management focus
 - Employee participation in management
 - Employee empowerment
 - Use of meaningful data
 - Focus on processes
-

Table 6.88: QO enablers

6.9.2.4.3 *Quality orientation capabilities in best practice firms*

Adopting a quality orientation has allowed best practice firms to develop important capabilities. The first of these is a customer service that focuses on meeting the needs of customers. In best practice firms, the customers dictate quality. This is an important capability as it allows the firm to focus on the quality from a customer's perspective. The company also has a system which allows employees to satisfy the needs of their customers. The company is able to focus on innovation within the whole firm. Finally,

the company has the capability to develop a system which helps it in measuring, analyzing and continuously improving quality.

Quality orientation capabilities

- Customer service that focuses on meeting customer needs
 - Customers dictate the level of quality
 - Employee have a system to satisfy customers
 - Innovation within the whole company (products, services, processes, etc)
 - System for measuring, analyzing, and continuously improving quality
-

Table 6.89: QO capabilities

6.9.2.5 Effective implementation of service orientation

Implementing service orientation effectively requires several key factors. These factors are outlined in the table below and discussed in the next few sections.

Drivers, enablers & capabilities of service orientation		
Drivers	Enablers	Capabilities
Use of IT to provide greater value to customers	Leadership	A system where employees are focused on satisfying customer needs
Recruiting and training employees to give them the right skills	Employee empowerment	Employees react to and rectify service failures
Creating a system to empower employees to satisfy customers	Information technology & knowledge management	The company works to prevent service failures
Using KM to gather data about customers		A system that incorporates technology and knowledge sharing to give value to customers

Table 6.90: Drivers, enablers and capabilities of service orientation

6.9.2.5.1 Drivers of service orientation

Service orientation has four key drivers. Best practice firms seem to be implementing these in order to develop effective service orientated strategies. The first driver is the use of information technology to give greater value to customers. Information technology includes the use of the internet (websites), telecommunications (call centres), intranets, information systems and more. Companies can use these to help customers gain greater value. For instance, providing after-sales service with the use of call centres can give greater value to customers. The second driver is to recruit and train employees so that they have the right skills. Employees provide much of the services to customers. They need to be skilled in dealing with customers and providing them with the right level of service. Besides employee training, employees also need to be empowered.

The right skills without the appropriate level of power can result in ineffective service strategies. Therefore employees must have the power to take decisions that will affect customer satisfaction. Finally, the company needs to make use of knowledge management to gather data about customers. Knowledge management drives the company to seek out information about customers.

Service orientation drivers

- Use of IT to provide greater value to customers
 - Recruiting and training employees to give them the right skills
 - Creating a system to empower employees to satisfy customers
 - Using KM to gather data about customers
-

Table 6.91: SO drivers

6.9.2.5.2 *Service orientation enablers*

There are four key enablers for service orientation. The first is leadership. Leadership is key to enabling a firm to focus on any strategy, and service orientation is not an exception. Leadership can direct the company to focus on service orientation and create a culture that encourages customer satisfaction. Empowered employees are another key enabler in achieving the goals of service orientation. It is empowered employees that deliver the service and have the authority to satisfy customer needs. Service recovery is an important factor that leads to customer delight. Employees who are empowered are better able to achieve service recovery. Finally, the use of IT and KM is important in enabling firms to develop a service orientation. Service orientation benefits from IT and KM as these two elements enable companies to implement more efficient and effective

service strategies. These two elements help a company to gather more information, process it more effectively and to transfer it to the right people at the right time.

Service orientation enablers

- Leadership
 - Employee empowerment
 - Information technology & knowledge management
-

Table 6.92: SO enablers

6.9.2.5.3 *Service orientation capabilities in best practice firms*

Service orientation allows companies to develop certain important capabilities. These are important for the success of organizations. First, a service orientation lets companies have a system where employees are totally focused on satisfying customer needs. Second, employees react to and rectify service failures. Third, the whole company works towards preventing service failures. As discussed earlier, service failures can lead to dissatisfaction among customers, and effective recovery can create an opposite effect. Therefore these two capabilities are very important. Finally, service orientation enables a firm to have a system which incorporates technology and knowledge sharing to give value to customers. Customers' needs and preferences are changing continuously. A system that lets employees and the company know about these changing needs allows companies to produce valuable services for these customers, which results in customer satisfaction. Therefore this is an important capability for service oriented firms.

Service orientation capabilities

- A system where employees are focused on satisfying customer needs
 - Employees react to and rectify service failures
 - The company works to prevent service failures
 - A system that incorporates technology and knowledge sharing to give value to customers
-

Table 6.93: SO capabilities

6.9.3. Conclusion

Thus far this chapter has looked at the various types of orientations adapted in each company, the manner in which the orientation was implemented along with the business impact of the orientation. Best practice firms' practices of implementing these orientations were also discussed. Our analysis shows that there is a link between the practice of these orientations and business performance. Best policy for implementing these strategic orientations calls for adopting certain drivers for each orientation. These are to be complemented by enablers, which lead companies to develop capabilities. All of these together have an impact on the performance of firms, including creating high levels of customer loyalty. The table on the next page shows an overview of the five strategic orientations, their drivers, enablers, capabilities and the impact they have on performance.

Brand orientation	Customer orientation	Market orientation	Quality orientation	Service orientation
Drivers	Drivers	Drivers	Drivers	Drivers
<p>Creating processes that revolve around the brand identity</p> <p>Systems that will enable interactions with customers</p> <p>Use of retail brand as a symbol of distinction</p> <p>Hiring employees that fit into company values</p>	<p>Finding out who the customers are</p> <p>Use information to find out what customers want</p> <p>What is required from the company to make customers satisfied</p> <p>Create a customer focus in the company</p>	<p>Create a marketing culture throughout the company</p> <p>Make changes within the company to reflect changes in the market</p> <p>Integrating the whole company to collect market data</p>	<p>Overall emphasis on quality</p> <p>A commitment to quality by the employees</p> <p>Consistently improving all aspects of the business</p> <p>Finding out the perceptions of quality of the customers</p>	<p>Use of IT to provide greater value to customers</p> <p>Recruiting and training employees to give them the right skills</p> <p>Creating a system to empower employees to satisfy customers</p> <p>Using KM to gather data about customers</p>
Enablers	Enablers	Enablers	Enablers	Enablers
<p>Knowledgeable employee</p> <p>Performance evaluation systems</p> <p>Top management focus</p>	<p>Leadership</p> <p>Organizational culture</p> <p>Quality improvement</p> <p>Learning</p> <p>Employee motivation</p>	<p>Management style</p> <p>Relationships with stakeholders</p> <p>Inter-functional communications</p> <p>Employees focus on Market</p>	<p>Senior management focus</p> <p>Employee participation in management</p> <p>Employee empowerment</p> <p>Use of meaningful data</p> <p>Focus on processes</p>	<p>Leadership</p> <p>Employee empowerment</p> <p>Information technology & knowledge management</p>
Capability	Capability	Capability	Capability	Capability
<p>Deployment of the marketing mix and human resources to deliver a distinctive brand in the customer's minds</p> <p>Marketing activities that are centred on the brand</p> <p>Benchmarking top brands</p> <p>Employees and managers are educated on the brand</p>	<p>System for monitoring, analyzing and solving customer problems</p> <p>Respond to customer complaints</p> <p>Continuously search information about customer</p> <p>Employees have the resources to solve customer problems</p>	<p>Organization-wide generation of market intelligence pertaining to current and future customer needs</p> <p>Able to measure customer satisfaction</p> <p>Attention to after-sales service</p> <p>A system to collect and analyze competitor information</p>	<p>Customer service that focuses on meeting customer needs</p> <p>Customers dictate the level of quality</p> <p>Employee have a system to satisfy customers</p> <p>Innovation within the whole company (products, services, processes, etc)</p>	<p>A system where employees are focused on satisfying customer needs</p> <p>Employees react to and rectify service failures</p> <p>The company works to prevent service failures</p> <p>A system that incorporates technology and knowledge sharing to give value to</p>

	Customers give feedback into product development	All functions focus customer satisfaction	System for measuring, analyzing, and continuously improving quality	customers
Impact	Impact	Impact	Impact	Impact
Customer satisfaction Profits Customer loyalty Sales growth	Customer satisfaction Service quality Profits Competitive advantage Employee job performance Customer loyalty	Customer satisfaction Profits Employee commitment Customer loyalty Sales growth ROA New products Market share Decrease in costs	Customer satisfaction Better quality Profits Customer loyalty Sales growth ROI, ROA Market share Decrease in costs	Customer satisfaction Service quality Profits Customer loyalty

Table 6.94: An overview of the relationships between orientation drivers, enablers, capabilities and impact

6.10. Critical success factors

After studying these six companies we can infer that each of the five strategic business orientations is important for both achieving high levels of business profitability as well as developing high levels of customer loyalty. Moreover, in addition to following these strategic orientations, these successful companies are also adopting other important variables that enable them to outperform competition. This section now summarizes the critical success factors that are needed for companies to be able to successfully achieve high levels of customer loyalty.

The critical success factors include the strategic orientations as well as enabling factors. Although there are distinct factors for each of the orientations (as discussed earlier), there are several key factors that are critically important to all of the orientations. The enabling factors allow the companies to implement their strategies and include: employee focus, innovation and positive leadership. Furthermore, there are useful tools which successful organizations seem to implement and include the use of information technology, relationship management, and adoption of knowledge management. These three tools combined make up a powerful tool, a relationship management system. Together, these strategic business orientations, enablers and tools create a powerful mixture which can be identified as critical success factors. Each of these critical success factors is discussed in more detail in the following sections.

6.10.1. Critical success factor strategic orientations

As discussed earlier, the strategic orientations too have a positive impact on the performance of a firm, and lead to the development of high levels of loyalty. From the literature and from the case studies we have come to understand that strategic orientations on their own are not practiced within successful firms. Instead companies are adopting various combinations of these. It is important to understand the role these play in the development of loyalty.

6.10.1.1 *Customer, market and quality orientations*

The most popular of the five strategic orientations appear to be customer orientation, market orientation and quality orientation. These three orientations have been adopted by all six of the firms studied. There seems to be an interdependent relationship between these three strategic orientations. For these firms, adopting one without the others does not make sense.

Customer orientation is linked to both market and quality orientation. Companies that are focused on the customer must be able to understand the needs and wants of the customer. They need to be able to track changes in their moods and desires. The company needs to be able to collect feedback from customers and understand what makes them satisfied. As part of being market focused, companies need to look at the competition, as well as understand the customer. It becomes difficult to separate the two. A company who knows the demands of the customer, but not the offering of the competition may be able to make a product / service which satisfies the customer but not beat the competition. A part of creating emotional loyalty is to exceed the customer's

expectations. This cannot be done without knowing both the customer's expectations as and the competition's offerings. Only by understanding both of these can a company work on product / services that beat the expectations of the customer.

Customer orientation also ties in with quality orientation. A company that is not dedicated to providing quality products cannot win the loyalty of its customers. The people who dictate the definition and standards of quality are customers, since they are the ones who will use the end products or services. A company that is quality focused, but does not ask what the customer is looking for may produce a level of quality which is below customer expectations. Therefore it is vital that companies adopt both customer and quality orientation.

Similarly, companies need to adopt market and quality orientation at the same time. Knowing what the customer wants, and the offerings of the competition are meaningless unless a firm also provides a level of quality that is acceptable to customers and meets or exceeds that of its competition. Similarly, a company cannot be quality oriented without understanding the marketplace. The goal of a company that wants to create high levels of loyalty, and wants its customers to become emotionally attached is to meet and exceed customer expectations. This can only be done if a company's quality level is above that of its competition and beyond customer expectations. Therefore, all three, customer, market and quality (CMQ) orientations, much go hand in hand, if a firm wants to succeed in the marketplace and wants to create emotionally attached customers.

6.10.1.2 *Service orientation*

Service orientation is found to be an important factor in the development of loyalty within a firm. Three of the six firms seemed to be service oriented. These firms believe that to create that extra advantage over competition, and to provide a high level of quality to its customers, they needed to be focused on providing an excellent level of service. The three firms belonged to different industries, and sold both products as well as services to their customers. Service orientation does not seem to have a strong link with a brand; however it is linked with the other three orientations. It is important for companies to be following a CMQ strategy for service orientation to be successful. The reason for this is simple. The service has to be in accordance with customer expectations (CO), and be better than what the competition is offering (MO), as well as be of a high level of quality (QO). Therefore, a service orientation on its own cannot be successful. Some firms, depending on their situation adopt a service orientation in addition to the CMQ orientations. These firms seem to be successful in the marketplace, are profitable, and enjoy high levels of loyalty.

6.10.1.3 *Brand orientation*

The final of the strategic orientations is brand orientation. Two of the six (or 33%) firms had a brand oriented strategy. While one firm is involved in selling automobiles the other sells financial services. Both firms are attached to large multinational corporations, whose boundaries go well beyond that of the country in which they operate. Caterpillar Financial Services sells its services all over the globe, while Park Place Lexus only sells its products and services to local clients. Both of these companies benefit from the branding that their parent firms are engaged in. Companies

which do not seem to be following brand orientation are varied. PRO-TEC, Sunny Fresh Foods, and Premier all sell their products primarily to business customers. However, CFSC also sells its products to business customers. This leads us to conclude that brand orientation is an important factor for some businesses. The importance depends on the type of business and the marketplace the business is in and may differ from one firm to the other. However, we cannot conclude that brand orientation is the only variable that would lead a firm to become successful.

6.10.2. Critical success factor enablers

Critical success factors are made up of three levels. The first level consists of the strategic orientations. The orientations are the directions that companies can choose to follow. However these directions alone cannot guarantee success in the form of customer loyalty. Companies require enabling factors. These enabling factors in reality “enable” a company to carry out the strategic plans they have set. Leaders can take the strategic objectives of organizations and organize the company towards achieving those factors. Employees are the fuel that keeps the machinery of an organization going. If all companies were to follow the same quality strategy, or market focus, no company would be different. Hence, innovation takes the strategic plans and adds flare to it by improving it and finding better, faster, cheaper ways of satisfying customers and building loyalty. These three actually help in implementing the goals and objectives of the strategic plans. These enabling factors are discussed in further detail in the following sections.

6.10.2.1 Leadership

Just as leadership is important in the success of an army or a sports team, it is pivotal in the success or failure of a business organization. Leaders are the starting point on the road to success for any organization. It is the leadership that adopts the strategies, makes the plans, and drives the organization towards achieving its goals and objectives. Managers at SFF set the directions that the whole company needs to take. PRO-TEC managers have focused on adopting best practices, allowing the company to benchmark and pursue quality at the highest levels. Similarly, leaders at PVHS focus on performance improvement within the organization and work on engaging all of the stakeholders in the firm. At PVHS, leaders focus on setting high performance goals, directing the company towards success. Leaders also have focused on other best practices such as innovation (PVHS, SFF), performance improvement (SFF, PPL), and improving communications within the firm (SFF). Leadership at Premier focuses on adopting ethical business practices, such as ensuring safety of the workforce. Leaders not only set goals and directions, but can also influence the whole corporate culture, as is the case at PVHS. Leaders there have set a corporate culture that focuses on high performance, innovation and adopting best practices. Furthermore, leaders are involved in monitoring the performance of an organization, and are also responsible for making changes that will see the organization grow. These reasons lead us to conclude that leadership is a critical success factor in the success of an organization, and especially if the leader can help steer the organization towards the development of customer loyalty.

6.10.2.2 *Employee focus*

Besides following a strategic focus, many of the companies place great emphasis on their employees. Employees hold a strategically important role in the organization. They are usually the main link between the company and its other stakeholders. Employees produce the goods and services that the company sells. Employees bring in the “brain” capital within a firm, and they are the ones who can regulate the relationship with customers. For service firms, employees produce the service; hence quality dependence on employees is very high. These reasons help us to conclude that employees play a vital role in a firm. Successful firms have recognized this factor and exploit it to their advantage.

Successful firms start the employee focus from the recruitment process. Initially they recruit the best possible employees for their particular firm to ensure they will be able to carry out the mission of the organization. For instance, PRO-TEC recruits highly skilled employees in their sophisticated manufacturing systems. Similarly, Park Place Lexus hires employees according to their skills, making sure they get the best people that can perform the skills required for various roles.

Many organizations have found that satisfied and motivated employees produce higher quality of work, and are more productive. To ensure that employees remain satisfied and are motivated, these successful organizations have taken a number of measures. These measures include employee training, giving more responsibility, and career development. PRO-TEC wants its employees to continue their learning process. The company helps employees by paying for their tuition and books. Sunny Fresh Foods

promotes learning of its employees and focuses on both cross-functional as well as cross business training. This allows employees to gain knowledge in various areas allowing them to move to other areas. Caterpillar Financial Services too encourages employees to pursue higher levels of qualification, a part of its employee satisfaction strategy. Park Place Lexus engages employees in succession planning and career progression, helping employees to move up the ladder. Companies provide training to employees in a number of areas including resolving customer complaints, conforming to quality, and on technology. These trainings not only help employees feel more knowledgeable and increase satisfaction, but also improve their productivity and the quality of their work. Furthermore, employees' jobs are designed in such a way as to help them accomplish their jobs easier. Companies are giving employees more responsibility to make strategic decisions. PRO-TEC has found that by doing this employees can make decisions on the quality of the products, thus reducing defects. Caterpillar Financial Services has designed the whole workplace around the employees, instead of putting employees into a workplace. Similarly, PPL has given more authority and responsibility to its employees. This helps them in tackling customer complaints in a more fruitful manner, ensuring that more customers go away happy after filing a complaint. Finally, some organizations, such as Premier, engage their employees in the planning process. Employees are part of teams that set goals, and plans.

6.10.2.3 *Innovation*

Innovation plays a central role in the success of organizations of all types. While orientations give the company a strategic objective, it is the company's ability to bring about innovations in those orientations that allows it to develop a system that fosters

customer loyalty. The six companies discussed in the case studies all seem to share a quest for innovation. Companies try to innovate not only within their products and services (PVHS and SFF) but also in the processes (Premier, PPL). PVHS, as a firm, places emphasis on innovation in every area of the firm. They try to instil the latest innovation within every area of their business. PVHS has made innovatory products a strategic competitive advantage for the firm. The company has pioneered several new products and services including the robot based surgery as well as medical imaging technologies. These have helped the company in providing better quality care to its customers.

PRO-TEC is another company that relies on innovation as a strategic competitive advantage. For PRO-TEC, in order to stay ahead of the competition they have to come up with new, improved and innovative products and services. PRO-TEC focuses on technical innovations that help it to improve its products and create new ones. They try to look at customer needs, and accordingly focus on innovatory solutions to help fulfil those needs.

At Sunny Fresh Foods, innovation takes place in the processes as well as the products. Since the company is involved in producing egg-based products, they try to improve their processes. The company believes in continuous improvement, which is assisted through the adoption of innovation in all aspects of business. Improved processes mean better, faster systems. It also means less wastage of material as well as energy sources. This allows the company to reduce its costs, while at the same time improving its quality. All of which result in satisfied customers.

Park Place Lexus's leaders manage the company for innovation. For instance, they introduced an innovative policy of benchmarking best firms not only within the industry but also outside it. This policy has helped PPL to improve its services in all aspects of the business.

Innovations are encouraged through various means within these businesses. One method is to encourage employees to come up with innovative methods, products, tools, services and systems. At Premier the company has a 50/50 application, where 50 percent of the task involves giving employees their targets and the remaining 50 percent focuses on encouraging employees to come up with innovative approaches to achieving those targets. PPL uses a similar approach where employees have a 50/50 meeting. At the meeting 50 percent of the time is spent on discussing problems and the remaining time is spent on discussing innovative solutions to those problems. Premier also gives out awards to its employees for innovation, which is a tool that encourages innovation within the workplace.

Other places where businesses get innovatory ideas include its customers and stakeholders. Premier has an annual conference with its customers. In this conference they share innovations with customers to get their feedback. They also get inventive ideas from the customers. Sunny Fresh Foods gets feedback from its stakeholders, including suppliers, partners and customers. Using the feedback they look for opportunities to innovate.

6.10.3. Critical success factor tools

Critical success factor tools are the end user instruments that are actually used to implement the policies. These are the factors that deal with the day-to-day operations and deal with functional level work. The case studies have identified one main factor, relationship management system. This is made ever more powerful through the use of information technology and knowledge management. These tools help managers to implement their policies, and assist in nearly all aspects of the business.

6.10.3.1 *Relationship management*

Relationship management refers to the tools and techniques that companies adopt to actually manage the relationships with their customers, suppliers, partners and stakeholders. The most important of these is the relationship with the customer, which has a direct impact on the development of customer loyalty within a firm. The direction of the relationship management depends greatly on the type of strategy and enablers working within a firm. For some firms relationship management purely means relationships with their customers, however many of the successful firms are also putting emphasis on creating relationships with other stakeholders.

Companies such as PRO-TEC, Sunny Fresh Foods, CFSC, and Premier believe in creating relationships not just with customers. For Premier it is about relationships with suppliers as well as their partners. For Caterpillar Financial, it is about having relationships with other business units of Caterpillar, as well as the dealers and customers. PRO-TEC maintains relationships with its partners, which include two of its parent firms that created PRO-TEC. The relationships also include working with

suppliers. Sunny Fresh Foods takes a slightly broader perspective by including employees and the wider community as part of its relationship strategy.

Despite the focus on a wide variety of stakeholders, for these firms the main goal is to create a long-term and lasting relationship with their customers. These firms achieve this through a number of different means. First, most of these companies have talked about not just creating a relationship but creating an “intimate” or “personalized” relationship with their customers (PPL, Premier and Sunny). For instance, PPL wants to create a personalized relationship with customers so that they become advocates of the firm (emotional loyalty). They want to treat the customer as they would if they were a guest in their home. This shows that creating an intimate and personal relationship leads the customers to feel close to the organization, and facilitates the development of emotional attachment or emotional loyalty.

Individually, each of these successful firms has taken its own route, however there are a number of common elements in their relationship management programmes. For Sunny Fresh Foods, as with many of the other firms, the process starts with their sales people, or the employees. These people have regular contact with their customers. Hence, they can collect valuable information about the customer. At Sunny, the sales reps collect valuable feedback from customers. At PPL, relationship management starts with the first encounter the customer has with the employees. These employees then collect valuable data about the customer, such as their names, as well as the names of their family members, making their relationship more personal. PPL trains all of its employees on how to deal with customers. Moreover, as part of the process, PPL even

focuses on the outlay of its showrooms to make them more luxurious, which gives customers a more relaxed feeling. PPL even sends birthday cards to its clients, which helps to create a level of intimacy with its clients.

Premier tries to create an intimate relationship through regular contact with customers, who are also partners with the firm. Employees may go and interview partners, hold regional level meetings, and have personal visits to partner sites. Furthermore, Premier works in collaboration with its partners to create what they call an annual improvement plan. This plan chalks out what needs to be done to improve the business. They set measurable goals on what will make the customer more satisfied.

Caterpillar Financial Services adopts a different approach to building a close relationship with its customers. As a financial services firm, they try to make sure that a vast majority of their clients get finance. The company also offers special discounts, extended warranties, and other perks to build a good relationship with clients. For instance, at times the company may skip payments during the winter months, when construction work is usually at its lowest. These acts help in creating goodwill with the customer, which makes the customer come back to CFSC. CFSC works closely with the 59 Caterpillar dealers in offering value added services that help in creating relationships with its clients.

Information technology (IT) and knowledge management (KM) also play a key role in the workings of relationship management. In combining IT and KM, companies have developed comprehensive relationship management systems (RMS) that allow greater

flexibility, improved performance, better efficiency and overall more effective relationship management. For instance PPL's relationship management system includes the use of customer relationship management (CRM) software as well as call centres. Employees or knowledge workers feed the data in to the system, on the basis of which PPL is able to identify "client touchpoints". These touchpoints are areas where clients interact with the firm. PPL is then able to monitor, and track the relationships with clients. They can track current customers as well as potential ones. The system allows PPL to find out what campaigns will work with various types of customers. The RMS also allows PPL to get feedback from customers after visits to the sales and services departments.

Premier's RMS includes CRM software that helps it to keep track of its customers and their changing needs. From the various meetings with customers the data is collected in a centralized database. From this point, the company can then identify new products and services to suit the individual needs of its partners. They can also figure out "high tough" opportunities. These opportunities let the company know when it would best to interact with the customer in building intimate relationships. The system also allows the company to send updates to employees, keep a record of managerial meetings, and update on customer feedback.

For Caterpillar Financial Services Corporation, the RMS consists of a company-wide intranet, a sophisticated telephone system, as well as CRM software. CFSC collects data from multiple sources, including through its employees and dealers. This customer information is made available through the intranet to its partners, employees and dealers

who can use to it enhance the quality of the relationship they have with their customers.

This system helps the company to figure out what would be the best value added services to offer to a particular client.

CSF	PVHS	PRO-TEC	CFSC	PPL	Premier	SFF
Brand Orientation	Not evident	Not evident	Interlinked with Caterpillar	Relies on Lexus	Not evident	Not evident
Customer Orientation	Highly focused	Highly focused	Highly focused	Highly focused	Highly focused	Highly focused
Market Orientation	High degree	High degree	High degree	High degree	High degree	High degree
Quality Orientation	Very focused	Very focused	Very focused	Very focused	Very focused	Very focused
Service Orientation	To a small degree	Not much evidence	Focused on SO	Focused on SO	Focused on SO	Not much evidence
Employee Focus	Great emphasis	Great emphasis	Great emphasis	Great emphasis	Great emphasis	Great emphasis
Leadership	Creates corporate culture	Adopting best practices	At all levels	Not specified	Implements ethical practices	Guides performance
Innovation	Innovation emphasis	Technical innovations	In all aspects of business	Managing for innovation	Seeking breakthrough opportunities	In all processes
Relationship Management	With employees and partners	With suppliers & partners	Supplier & customers through intranet, CRM, Tel. system	Personalized relationships	Intimate relationships with suppliers and partners	Focus on employees, customers, suppliers & community

Table 6.95: An overview of the critical success factors in successful organizations

6.11. Summary

This chapter has looked at six case studies of best practice firms. Case studies and detailed analyses of each firm were conducted. The types of orientation being adopted by each company along with the impacts on business performance were discussed. The chapter looked at the impact that the adoption of strategic orientations had, in general, on performance and loyalty.

Further analyses were conducted which revealed a link between the level of strategic orientation and the impact it has on business. For each of the strategic orientations in-depth analyses were conducted where we discussed the drivers, enablers and capabilities needed to implement these effectively. Consequently, a number of critical success factors were discovered which appear to be important in implementing these.

While the past three chapters looked at conducting studies on loyalty, a detailed analysis of the discussion is required. The next chapter examines all analyses of the studies in this research and presents a comprehensive discussion of the findings, and on the basis of the discussion a model is presented.

Chapter 7: Discussion and model proposal

7.1. Introduction

This chapter provides a comprehensive and detailed discussion on the analysis of the findings and results of the qualitative primary and qualitative secondary studies. The findings of these studies have already been presented in Chapters 4 and 6. Furthermore, this chapter also offers a triangulation between the findings of the two studies, with references and examination of the appropriate literature. The main purpose of this thesis was to propose a model for understanding and managing loyalty based on strategic business orientations and best practices. This has been addressed through finding answers to the objectives of the study.

The first objective, “to find the factors that distinguish emotionally loyal customers from attitudinally loyal customers”, was addressed in Chapter 2 and 3, as well as being discussed here in section 7.2.1. The second objective, “explore the factors which explain the development of emotional loyalty towards these companies” has been discussed in Chapter 3, section X). The third objective, “find any cultural differences in the way customers exhibit emotional loyalty” has been discussed in Chapter 3 and is addressed here in section 7.2.1.10. The fourth objective, “explore the role that strategic business orientations have in the development of high levels of loyalty within an organization” has been discussed in Chapters 5 and 6, and is addressed here in sections 7.2.2. The fifth objective, “identify the critical success factors for organizations who want to develop high levels of loyalty within their organizations” has been examined in Chapter 6, section X and is addressed in this chapter in section 7.3.1. The final

objective, “present a model that would help managers and researchers to better understand and manage loyalty in an organization” is addressed in section 7.4 of this chapter and a proposed model, based on the integrated findings is presented.

7.2. Major findings of Study I: Primary qualitative case studies on emotional loyalty

Thus far the literature has not shown any concrete evidence that shows a difference in characteristics between the attitudinally and emotionally loyal customers. Researchers have discussed attitudinal loyalty (Dick and Basu, 1994; Baldinger and Rubinson, 1996; Baloglu, 2002; Bandyopadhyay and Martell, 2007) and emotional loyalty (Fournier, 1998; Shoemaker and Bowen, 2003; Oliver, 1999; Mattila, 2001a; Mattila, 2001b). However, no clear distinction between these two types of loyal customers has been given in literature. Our research, however, has empirically shown that key differences exist between these two types of customers. In depth interviews with forty (40) loyal customers showed that there are key characteristics that differentiate these two types of customers. The characteristics were evident in all of the customers interviewed across four companies. The following table shows the breakdown of the type of loyal customers in each case study.

<i>Case Study</i>	<i>Attitudinal loyalty</i>	<i>Attitudinal loyalty percent of total</i>	<i>Emotional loyalty</i>	<i>Emotional loyalty percent of total</i>
Thomson Travel	7	18%	3	8%
Emirates Airlines (Europe)	5	13%	5	13%
Serena Hotels	6	15%	4	10%
Emirates Airlines (Asia)	6	15%	4	10%
Total numbers	24		16	
Percent of Total	60%		40%	100%

Table 7.1: Type of loyal customers in the cases

While past studies have confirmed some of these variables (Reichheld and Sasser, 1990; Mattila, 2001a; Wong, 2004; White and Yi, 2005; Gilbert *et al.*, 2004; Shoemaker and Bowen, 2003), no clear indication is given about the intensity of these variables, nor has there been a link made with these variables to the different types of loyalty. The findings of the research suggest that although each of these variables may be present in both the attitudinal and emotional loyalty customers, the intensity of these varies between the two significantly. Furthermore, it is imperative to assess all of these characteristics in order to evaluate the loyalty of customers since one or a few of these variables will not give an accurate picture.

The discussion of these characteristics is conducted on the basis of the literature surveyed, the first study, the theory review as well as the second study. Triangulation is used to evaluate these characteristics. The discussion will be based upon the analysis of

the literature review in Chapter 2, the findings from the case studies in Chapter 4, the theoretical review in Chapter 5 as well as the findings of the secondary case studies from Chapter 6.

7.2.1. Characteristics of emotionally vs. attitudinally loyal customers

7.2.1.1 Quality perception

The findings of Study I show that quality perception is an important factor for determining the type of loyalty in customers. Quality has been found to be important in developing loyalty. This finding has also been supported by past literature as discussed in Chapter 2 (Ennew and Binks, 1996; Ruyter *et al.*, 1998; Edvardsson *et al.*, 2000; Hoisington and Naumann, 2003; Fredericks *et al.*, 2001; Wong, 2004), and in Chapter 5, (Mohr-Jackson, 1998a; Buzzell and Gale, 1987; Chang and Chen, 1998; Calantone and Knight, 2000; Lai and Cheng, 2005). Furthermore, Study II also highlighted the importance of quality in the development of loyalty.

The results of all of the studies and the literature support the fact that quality is an important factor for customer loyalty. Study I, on loyalty characteristics, shows that the degree of quality perception varies with the degree of loyalty (see Table 7.2, below, for some sample answers of customers from the four case studies). For emotionally loyal customers the level of quality is much higher than that of attitudinally loyal customers. All of the emotionally loyal customers perceived their level of quality as being better than the competition. For attitudinally loyal customers the level of quality was on a par with competitors. On the basis of the findings in this research, we can conclude that

quality is important in developing loyalty (Lai and Cheng, 2005), furthermore a higher degree of the quality perception will result in higher levels of development.

<i>Quality perception</i>	
Attitudinally loyal	Emotionally loyal
• am, yeah, reasonable, yeah	• always very good and comfortable
• not much difference from competition	• they've all been good really
• at par with competition	• facilities in the gold hotels are superb, brilliant
• I like Emirates because it's good	• very good, or awesome

Table 7.2: Quality perception responses of customers

7.2.1.2 Level of satisfaction

There is much research on the link between satisfaction and customer loyalty (Yoon and Kim, 2000; Yu and Dean, 2001; Neal, 1999; Mattila, 2001b; Caruana, 2002; Magi, 2003; Aydin *et al.*, 2005; Fornell *et al.*, 2006). Study II has shown that customer satisfaction is an important factor in all of the business orientations, which in turn leads to loyalty development. This research agrees with past research and goes a step further. Study I found that the *level* of satisfaction with a company differs with the types of loyal customers. The first study revealed that satisfaction levels for attitudinally loyal customers were lower than emotionally loyal customers. Although attitudinally loyal customers claimed to be satisfied with the company, emotionally loyal customers claimed to be very satisfied. The table presented below shows a few sample statements taken from the case studies. Past studies have focused on similar areas. For instance, it has been found that high levels of satisfaction lead to higher loyalty (Loveman, 1998),

more purchases (Heskett *et al.*, 1994), profitability (Gould, 1998; Gilbert *et al.*, 2004), and superior performance (Jones and Sasser, 1995). However, the type of loyalty has not been specified in the previous studies.

These findings lead us to conclude that customer satisfaction is important for loyalty, moreover, by looking at the level of satisfaction we can determine the type of loyalty. Customers who claim to be extremely or highly satisfied will be the ones that are emotionally loyal; moreover customers who are satisfied will tend to belong to the attitudinally loyal category.

Level of satisfaction

Attitudinally loyal	Emotionally loyal
• we've always been satisfied	• We've thoroughly enjoyed all of them
• reasonably happy	• Always very satisfied
• it's good, but nothing special	• They really want to make you satisfied
• we've always been satisfied	• We've thoroughly enjoyed all of them

Table 7.3: Satisfaction responses of customers

7.2.1.3 Memorable experiences

The results of this study show a positive link between memorable experiences and emotional loyalty. Similarly, the lack of memorable experiences is linked with attitudinal loyalty. The table presented below shows some of the customer comments in relation to customer experiences, taken from the study on loyalty. The findings from Study I show that the vast majority of emotionally loyal customers had memorable

experiences with their company. The results also show that none of the attitudinally loyal customers had a memorable experience. Previous studies on memorable experiences show that they lead to positive behaviour (Arnould and Price, 1993; Liljander and Strandvik, 1997; Gould, 1998; Kandampully, 1998; Mattila, 2001a). Research has also suggested a link between memorable experiences and loyalty (Liljander and Strandvik, 1997; Gould, 1998; Kandampully, 1998).

Based on these findings we can assume that having a memorable experience will result in positive behaviour and lead customers to feel emotionally attached to a firm. Customers who do not experience memorable experiences will remain at a mid-level of loyalty and not move up.

<i>Memorable experiences</i>	
Attitudinally loyal	Emotionally loyal
<ul style="list-style-type: none"> • ahh, not really • I wouldn't say good or memorable • I mean nothing that goes wow 	<ul style="list-style-type: none"> • All been very good • special treatment on birthday • out of the ordinary • I've never seen so many things go exactly according to plan

Table 7.4: Memorable experience responses of customers

7.2.1.4 Service recovery

Service recovery has been found to have an impact on the development of loyalty among customers. The findings of the study on customer loyalty (Chapter 3), as well as the literature, suggest that service recovery has a positive impact on loyalty. Past studies, as

discussed in Chapter two, suggest that service recovery can lead to loyalty development (Hart *et al.*, 1990; Bejou and Palmer, 1998; Mattila and Patterson, 2004b; Bennett and Rundle-Thiele, 2004; Saura *et al.*, 2005). The first study on loyal customers found that while a good service recovery can lead to a pleasant experience for customers, not having failures at all is even more important to developing higher levels of loyalty. Out of the emotionally loyal customers surveyed 88% had never experienced a service failure, suggesting that lack of service failure is important for emotional loyalty development. Attitudinally loyal customers had suffered service failures without recovery, suggesting that this hampers them from moving up to the emotionally loyal phase. Table 7.5 outlines the responses from various customers on service failure and recovery.

Service failure & recovery

Attitudinally loyal	Emotionally loyal
• call centre was very impolite	• we've no complaints what so ever
• they never told us about it	• never had bad experiences
• they took care of it straight away	• they fixed it... We were very pleased with this
• call centres ...are not as friendly	

Table 7.5: Service failure and recovery responses of customers

From the findings above we can conclude that preventing service failures will have a positive impact on emotional loyalty development. Furthermore, a good service recovery will lead customers to have positive feelings. Service failure without recovery will lead customers to stay in an attitudinally loyal phase and not move up.

7.2.1.5 Recommendation

As discussed earlier, loyal customers will recommend the company to others. The findings of the first study show that both attitudinally loyal and emotionally loyal customers are active in recommending the company to family and friends. Literature also suggests that loyal customers will recommend the company to others (Reichheld and Sasser, 1990; Dick and Basu, 1994; Gremler and Brown, 1999a; Heskett *et al.*, 1997; Gremler and Brown, 1999b; Lindberg-Repo, 1999). However, Study I also found that emotionally loyal customers are more vocal and will recommend more frequently as compared to attitudinally loyal customers. Past research has also found that emotionally loyal customers will be more vocal in recommending their favourite brand or company (Yu and Dean, 2001; Mattila, 2001a; Barnes, 2003; Shoemaker and Bowen, 2003). Table 7.6 shows samples of the type of responses recorded from the two types of customers in the first study on loyal customers.

<i>Recommendation (WOM)</i>	
Attitudinally loyal	Emotionally loyal
• but we don't per certainty say	• We tell everyone
• sometimes	• always to my family and friends
• if asked	• tell my co-workers all the details
• won't like bring it up ourselves	• I tell them what a fantastic time I had
• recommended the hotel to family and friends	
• talked about their trips	

Table 7.6: Recommendation responses of customers

The findings of this research suggest that loyal customers will recommend the brand or company to others. However, emotionally loyal customers are more likely to recommend the company to more people and do it more frequently. Emotionally loyal customers are also likely to be more vocal and active in their recommendations than attitudinally loyal customers.

7.2.1.6 Percentage of total spending

This research shows that loyal customers spend more with a firm. Moreover, the first study on loyal customers found that emotionally loyal customers will dedicate a larger percentage of their total spend with a company (approximately 86% for emotionally loyal and 55% for attitudinally loyal customers). The findings of the first study on loyal customers suggests that an estimated average for emotionally loyal customers is about 30% higher than that of attitudinally loyal customers (see Table 7.7, below). This result has also been verified by past research on loyalty. For instance, researchers have called for a link between loyalty and percentage of total spend (Dube and Renaghan, 1999; Magi, 2003). Moreover, researchers have also found a link between higher levels of spend for emotionally loyal customers (Butz and Goodstein, 1996; Kandampully, 1998; Barnes, 2003; Mattila, 2001a). However, past research has looked at the estimated differences in the spending between the different types of loyalty.

<i>Percentage of total spending</i>						
Case	Attitudinally Loyal	No of customers	Weight	Emotionally Loyal	No of customers	Weight
<i>Thomson Travel</i>	50-60%	7	385	100%	3	300
<i>Emirates Airlines (Europe)</i>	50-65%	5	288	80-100%	5	450
<i>Serena Hotels</i>	50-60%	6	330	60-80%	4	280
<i>Emirates Airlines (Asia)</i>	50-60%	6	330	75-100%	4	350
Average			55.52%			86.25%

Table 7.7: Approximate average total spend for loyal customers

Based on these findings, we can infer that loyal customers spend a larger share of their wallet with a company. The higher the level of loyalty, the larger the share of that wallet is.

7.2.1.7 Search for alternatives

The results of this study show that the search for alternatives is reduced for loyal customers. Literature suggests that loyal customers will be less willing to search for alternatives (Dick and Basu, 1994; Bowen and Chen, 2001; Yu and Dean, 2001; Mattila, 2001a; Baloglu, 2002; Shoemaker and Bowen, 2003). This research shows that there is a difference in the searching for alternatives between the two types of highly loyal customers. The results from Study I, show that attitudinally loyal customers search for alternatives less frequently than behaviourally loyal customers. Moreover, emotionally loyal customers do not search for alternatives at all. This findings is somewhat in line

with previous studies that found emotionally loyal customers not searching for alternatives (Baloglu, 2002; Shoemaker and Bowen, 2003). However, past research made no distinction between emotionally loyal and attitudinally loyal customers. The table below shows some examples, from the first study on loyalty, of the differences between different types of loyal customers.

<i>Search for alternatives</i>	
Attitudinally loyal	Emotionally loyal
• we do a bit of comparison	• never searched for alternatives if Serena had a hotel
• you got to look around	• no... not anymore
• To see what's the going rate	• stopped years ago

Table 7.8: Search for alternative responses of customers

Based on the results of this research we can conclude that loyal customers' searches for alternatives are greatly reduced. We can also conclude that while attitudinally loyal customers' searches are reduced, it is the emotionally loyal customers that don't search for alternatives at all.

7.2.1.8 Premium prices

Previous studies, as shown in the literature, suggest that loyal customers will be willing to pay higher prices to remain with the same brand or company (Reinartz and Kumar, 2002; Duboff and Sherer, 1997; Ennew and Binks, 1996; Mattila, 2001a; Shoemaker and Lewis, 1999; Yu and Dean, 2001). This study too, has found that that loyal customer will be willing to pay higher prices to remain with the same firm. The difference in the

increase in price however has not been discussed in the previous literature. Study I results show that emotionally loyal customers will be willing to pay up to 20% higher prices to remain with the same company or brand (this is highlighted in Table 7.9 below). Attitudinally loyal customers have been found not to accept higher prices. This finding further clarifies past research, where all loyal customers were thought to accept higher prices.

<i>Premium prices</i>	
Attitudinally loyal	Emotionally loyal
<ul style="list-style-type: none"> • we're driven by price, and best value for money really • Definitely no • Why should I pay more for same thing 	<ul style="list-style-type: none"> • yes between 10 to 20% • maybe somewhat higher • yes, upto 10 to 15%

Table 7.9: Search for alternative responses of customers

It is based on the findings from this research that we can argue that only emotionally loyal customers are willing to pay higher prices. Moreover, it can also be concluded that attitudinally loyal customers will not pay higher prices to remain with the same brand or company.

7.2.1.9 Time

The findings of this research have revealed that the length of time spent with a firm is important in determining the type of loyalty for a customer. The findings of Study I show that, on average, it takes longer for customers to become emotionally loyal to a company or brand than it does to become attitudinally loyal. The results of the study

revealed that the average attitudinally loyal customer had spent a minimum of 3 years with the firm and emotionally loyal customers a minimum of 5 years (see Table 7.10). The table below highlights this fact on the basis of the 40 customers that were interviewed for the first study on loyalty.

<i>Case</i>	<i>Minimum time with firm</i>					
	Attitudinally Loyal	No of customers	Weight	Emotionally Loyal	No of customers	Weight
<i>Thomson Travel</i>	5	7	35	7	3	21
<i>Emirates Airlines (Europe)</i>	3	5	15	5	5	25
<i>Serena Hotels</i>	2	6	12	4	4	16
<i>Emirates Airlines (Asia)</i>	2	6	12	5	4	20
Average (yrs)			3.08			5.13

Table 7.10: Approximate average minimum time spent with the firm

The study also revealed that emotionally loyal customers tend to switch over from attitudinal loyalty to emotional loyalty between the third and the fifth year with the firm. The average figure for the 16 emotionally loyal customers was found to be 3.94 years (see Table 7.11). The findings of Study I are similar to past research studies that have pointed out that emotionally loyal customers have longer relationships with firms (Shoemaker and Bowen, 2003; Yu and Dean, 2001; Barnes, 2003), and that loyalty develops over time (Oh and Shin, 2004). However, past research has not talked about differences in types of loyalty, nor discussed the exact time frame when loyalty will be developed.

<i>Case</i>	<i>Stopped looking for alternatives</i>		
	Emotionally Loyal	No of customers	Weight
<i>Thomson Travel</i>	3 - 4	3	10.5
<i>Emirates Airlines - Europe</i>	4 - 5	5	22.5
<i>Serena Hotels</i>	3 - 4	4	14
<i>Emirates Airlines - Asia</i>	3 - 5	4	16
Average (yrs)			3.94

Table 7.11: Approximate time when emotionally loyal customers stopped searching for alternatives

On the basis of this research we can conclude that time is an important factor in the development of loyalty. Customers get to an attitudinally loyal stage in an earlier time frame than reaching the emotional loyalty stage, suggesting that customers go through the different types of loyalty in stages.

7.2.1.10 Impact of culture

As discussed earlier, understanding the cultural differences of customers is important for businesses. This study revealed that there are differences in the behaviour of loyal customers between cultures. Study I shows that Asian (collectivist) customers value brand image as an important factor in the attitudinal loyalty phase, whereas European (individualist) customers do not (some sample customer comments are presented in Table 7.12). This findings is similar to previous research, as identified in the literature review, which states that culture is important in the customers' perception of service recovery (Mattila and Patterson, 2004a), perception of quality and satisfaction (Atilgan *et al.*, 2003). Literature also suggests that image has an impact on loyalty (Gronroos, 1984; Dube and Renaghan, 1999; Yoon and Kim, 2000; Baloglu, 2002; Fredericks *et al.*,

2001; Hoisington and Naumann, 2003). The impact of culture on overall loyalty development has not been studied. Furthermore, the study found that there are little differences in the impact of culture on emotionally loyal customers in any culture.

<i>Brand preference for Asian customers</i>	
Attitudinally loyal	Emotionally loyal
• Serena has a good reputation	• Used to think of brand
• It has a very good standing	• Not any more
• Popular people go there	• I liked them after I tried them

Table 7.12: Cultural differences in brand preference for loyal customers

The findings of this study lead us to argue that the culture of a customer has an impact in the initial stages of loyalty development. It also leads us to conclude that companies should focus on understanding different cultures to satisfy customers. However, when customers reach an emotionally loyal phase, the impact of culture is minimal.

7.3. Major findings of Study II: Business orientations and critical success factors for implementing a loyalty management system

Past research has not shown a link between all five of the strategic orientations and the development of customer loyalty. This study has, however, established a link between the adoption of strategic orientations and its impact on business performance of a firm (see Table 7.13, below). Furthermore, the research has shown that a set of critical success factors are essential for the development of loyalty in a firm.

	<i>Practice</i>	<i>Impact</i>	<i>Ratio</i> <i>(Practice vs. Impact)</i>
Brand orientation	5	5	1:1.00
Customer orientation	15	35	1:2.33
Market orientation	19	43	1:2.26
Quality orientation	27	35	1:2.29
Service orientation	8	9	1:1.25

Table 7.13: The business impact vs. practice of various orientations

Extant literature agrees with these findings and suggests that strategic orientations such as brand orientation (Urde, 1994; Urde, 1997; Simones and Dibb, 2001; Noble *et al.*, 2002), customer orientation (Lengnick-Hall, 1996; Webster, 1988; Appiah-Adu and Singh, 1998; Huang and Dastmalchian, 2006), market orientation (Gummesson, 1991; Jaworski and Kohli, 1993; Narver and Slater; Ghauri *et al.*, 2008), quality orientation (Millar, 1987; Tunks, 1992; Zairi *et al.*, 1994; Chang and Chen, 1998; Mohr-Jackson, 1998b; Fuentes-Fuentes *et al.*, 2004; Rönnbäck and Witell, 2008; Sussan and Johnson, 1997), and service orientation (Bowen and Schneider, 1988; Cardozo, 1965; Chase and Garvin, 1989; Mills *et al.*, 1983; Lengnick-Hall, 1996), have a positive impact on business performance. In addition, this research shows that critical success factors are important in the implementation of these orientations. Critical success factors have been researched in the past and found to be being significant for businesses (Lusch and Vargo, 2006; Karvinen and Bennet, 2006; Athanasopolulou, 2008; Gummesson, 2008; Vargo and Lusch, 2004). This research has shown, through study analysis in Chapters 4 and 6, and through the literature reviewed, that the critical success factors are essential for the effective implementation of a system to develop loyalty. Moreover, all of the

critical success factors are essential in the effective implementation of this system; the absence of one of these will result in an improper implementation.

The discussion in this section is conducted on the basis of the complete research; which includes the second study, analysis from the first study, and the literature discussed in Chapters 2 and 5. Each of these critical success factors will be discussed in relation to this analysis using a triangulation method.

7.3.1. Critical success factor strategic orientations

The strategic orientations themselves are the first five critical success factors in developing loyalty within an organization. The analysis of Study II, based on best practice firms, clearly shows that companies that are better at implementing strategic orientations result in greater impacts on business performance, which includes customer loyalty. These results are consistent with past studies and are discussed in detail in the next few sections.

7.3.1.1 Brand orientation

Brand orientation is a critical success factor for the development of an effective loyalty management system. The importance of brand has been discussed in the loyalty literature, the analysis of Study I, in the literature of strategic orientations and in the analysis of Study II. The result is in line with previous research findings on brand (Wernerfelt, 1991; Chaudhuri and Holbrook, 2001; Reichheld, 1996). The results from Study II show that brand orientation has a positive impact on performance and an overall impact on customer loyalty (see Table 7.14 below).

<i>Brand orientation</i>						
	PVHS	PRO-TEC	PPL	CFSC	Premier	Sunny
<i>Practice of orientation</i>	na	na	3	2	Na	na
<i>Impact of performance</i>	na	na	3	2	Na	na

Table 7.14: Impact of brand orientation on business performance

Study I analysis shows that about forty percent (40%) of the best practice companies were implementing brand orientation. Study I also found that customers are attracted to a company as a result of its brand image. Based on these findings, it can be concluded that having a brand orientation is important in the development of loyalty in an organization. Brand orientation enables companies to differentiate their brands from competitors, and create a preference for a company's products and services. The table below shows the implementation of brand orientation in best practice firms as found in Study II.

<i>PVHS</i>	<i>PRO-TEC</i>	<i>CFSC</i>	<i>PPL</i>	<i>Premier</i>	<i>SFF</i>
Na	Na	<ul style="list-style-type: none"> Makes use of parent company (Caterpillar's) branding Uses website and other promotional material to create a brand differentiation 	<ul style="list-style-type: none"> Makes use of Lexus' branding (ex: web page, TV ads) Does local market advertising to create brand preference Uses the website for creating a brand preference 	Na	na

Table 7.15: Brand orientation in best practice firms

7.3.1.2 Customer orientation

The research revealed that customer orientation is an important factor in the development of customer loyalty. This finding was confirmed in Study II, and literature review, as well as the theory review. Study II shows that all six of the firms were customer oriented (see Table 7.16 below).

<i>Customer orientation</i>						
	PVHS	PRO-TEC	PPL	CFSC	Premier	Sunny
<i>Practice of orientation</i>	2	2	4	2	3	2
<i>Impact of performance</i>	6	6	6	6	6	5

Table 7.16: Impact of customer orientation on business performance

The study also revealed that the practice of customer orientation was linked with the performance of a business as well as on customer loyalty. The results from Study II found that there was a 1:2.3 practice to impact ratio of customer orientation on performance. Past research also found that customer orientation is important for developing customer loyalty (Henning-Thurau *et al.*, 2002; Huang and Dastmalchian, 2006; Macintosh, 2007). Other elements of loyalty, such as word-of-mouth, have also been found to have a positive link with customer orientation (Zairi, 2000; Henning-Thurau *et al.*, 2002; Macintosh, 2007).

It can be argued, based on the findings of the research, that customer orientation is a critical success factor in the development of customer loyalty. Customer orientation

allows companies to focus on the customer. Customer orientation enables firms to be able to monitor customer preferences and to satisfy customer needs and wants. The table below highlights the use of customer orientation by best practice firms.

<i>PVHS</i>	<i>PRO-TEC</i>	<i>CFSC</i>	<i>PPL</i>	<i>Premier</i>	<i>SFF</i>
<ul style="list-style-type: none"> • Listening to customers (using voice-of-customer approach) • Continuously monitoring and analyzing customer needs 	<ul style="list-style-type: none"> • Knowledge of current and potential customers • Adopting quality according to customer preferences 	<ul style="list-style-type: none"> • Uses industry councils to find customer needs • Makes use of focus groups and surveys to identify customer's needs 	<ul style="list-style-type: none"> • Well defined customer segments • Finds needs and requirements of each of the customer groups • Uses past, present and potential customers to identify needs • Good complaint management systems 	<ul style="list-style-type: none"> • Gathers customer satisfaction surveys • Work with customers to find needs and plan for future • Uses focus groups with customers 	<ul style="list-style-type: none"> • Focuses customer by understanding current and future needs • Whole firm is involved in understanding needs of customers

Table 7.17: Customer orientation in best practice firms

7.3.1.3 Market orientation

This study has found that market orientation is a critical factor in the development of customer loyalty. The results of Study II show that it has a significant impact on the overall performance of business with a ratio of 1:2.26. Literature also suggests that market orientation is highly important for business performance and loyalty (Pelham and Wilson, 1996; Zeithaml *et al.*, 1996; Zeithaml *et al.*, 1990; Chang and Chen, 1998; Ghauri *et al.*, 2008). The Study II examination of six best practice firms has revealed

that all six companies have a positive link between market orientation and business performance.

<i>Market orientation</i>						
	PVHS	PRO-TEC	PPL	CFSC	Premier	Sunny
<i>Practice of orientation</i>	3	3	3	4	4	2
<i>Impact of performance</i>	6	8	7	7	8	7

Table 7.18: Impact of market orientation on business performance

We can conclude that market orientation is an important orientation and a critical success factor for the development of loyalty. Market orientation allows companies to be able to keep a track of its customers, competitors and the marketplace as a whole. The table given below looks at the practice of market orientation in best practice firms.

<i>PVHS</i>	<i>PRO-TEC</i>	<i>CFSC</i>	<i>PPL</i>	<i>Premier</i>	<i>SFF</i>
<ul style="list-style-type: none"> • Building relationship with customers • Building relationships with partners, suppliers, and collaborators • Working with the community 	<ul style="list-style-type: none"> • Systems used to monitor customer preferences • Working with partners • Adopting of a system to monitor competitor actions 	<ul style="list-style-type: none"> • Keeps a close watch on competition • Looks at the preferences of customers • Establishes relationships with dealers and users • Participates in industry events 	<ul style="list-style-type: none"> • Continuously monitors and adjusts to markets • Works in collaboration with partners and suppliers • Uses innovation to stay ahead of the competition 	<ul style="list-style-type: none"> • Gathers market research data • High interaction with customers • Creates value for partners • Engagement with alliance members 	<ul style="list-style-type: none"> • Understanding customer needs • Work with partners

Table 7.19: Market orientation in best practice firms

7.3.1.4 Quality orientation

The whole of the research suggests that quality is an important variable in loyalty development. Past research, based on our literature review and theory review, have revealed that a quality orientation is important for business performance and loyalty development (Reichheld and Sasser, 1990; Mohr-Jackson, 1998b; Buzzell and Gale, 1987; Chang and Chen, 1998; Calantone and Knight, 2000; Jaworski and Kohli, 1993; Wong and Saunders, 1993; Day, 1994; Lai, 2003; Halliday, 2002; Lonial *et al.*, 2008; Lai and Cheng, 2005; Gilbert *et al.*, 2004; Zairi *et al.*, 1994). Study I shows that higher quality is important for developing emotional loyalty. Study II's findings reveal that there is a strong link between quality orientation and business impact, with a ratio of 1:2.29. The table below looks at the impact on performance of best practice firms.

<i>Quality orientation</i>						
	PVHS	PRO-TEC	PPL	CFSC	Premier	Sunny
<i>Practice of orientation</i>	5	4	4	4	6	4
<i>Impact of performance</i>	5	6	6	5	7	6

Table 7.20: Impact of quality orientation on business performance

We can conclude that quality orientation is an important and critically important factor in the development of an effective loyalty management system. Quality orientation allows companies to focus on improving quality and matching or exceeding customer expectations. Quality orientation also allows companies to continuously improve every

aspect of their business. The table below shows the use of quality orientation in various best practice firms.

<i>PVHS</i>	<i>PRO-TEC</i>	<i>CFSC</i>	<i>PPL</i>	<i>Premier</i>	<i>SFF</i>
<ul style="list-style-type: none"> • Quality focus on every aspect of the business • Strategic management's focus on high quality • Organizational goals that focus on 'world class' quality • Encourage innovations to improve quality • Use of information systems for quality maintenance 	<ul style="list-style-type: none"> • Adopting quality awards standards • Employing highly skilled employees • Continuous professional development of employees • Continuous improvement in all processes 	<ul style="list-style-type: none"> • Adoption of Baldrige award's criteria • Strategic plans for quality improvement • Using of Six Sigma to improve quality in processes • Frequent feedback to improve quality 	<ul style="list-style-type: none"> • Conducts an ongoing performance improvement process • Trains all managers and key employees to focus on quality • Benchmarks against the best quality standards • Employees are focused on quality improvement 	<ul style="list-style-type: none"> • Following the Baldrige criteria for quality • Internal and external examiners are used to monitor quality • Using Six Sigma • Adopting a quality focus in planning • Quality in every process • Employee training to focus on quality 	<ul style="list-style-type: none"> • Following the Baldrige criteria for quality • Using TQM techniques to continuously improve quality • Customer dictates quality • A system that improves quality across the organization

Table 7.21: Quality orientation in best practice firms

7.3.1.5 Service orientation

Service orientation is found to be a critical success factor for the development of an effective loyalty management system. The findings of Study II reveal that there is a positive link between service orientation and business performance and loyalty. The ratio of the practice vs. impact is 1:1.12, which shows a significant impact. Out of the best practice firms, 50% were following a service orientation (see Table 7.22 below). This finding is in conformance with past literature which says that service orientation is

important for business profitability (Vargo and Lusch, 2004; Javalgi and Moberg, 1997; Lusch and Vargo, 2006). A service orientation lets firms concentrate on creating exceptional services for customers (Vargo and Lusch, 2004; Vargo and Lusch, 2008).

<i>Service orientation</i>						
	PVHS	PRO-TEC	PPL	CFSC	Premier	Sunny
<i>Practice of orientation</i>	Na	na	2	3	3	na
<i>Impact of performance</i>	Na	na	3	3	3	na

Table 7.22: Impact of service orientation on business performance

Based on the findings of this research, we can conclude that service orientation plays a critically important role in the development of loyalty. Service orientation allows companies to focus on providing service and by creating differentiation between competing brands (Vargo and Lusch, 2004; Lusch and Vargo, 2006; Vargo and Lusch, 2008). Table 7.23 summarizes the use of service orientation in best practice firms.

<i>PVHS</i>	<i>PRO-TEC</i>	<i>CFSC</i>	<i>PPL</i>	<i>Premier</i>	<i>SFF</i>
Na	Na	<ul style="list-style-type: none"> • Use of information (KM) to add value to customers • Employees are service focused • Developing new services using information systems 	<ul style="list-style-type: none"> • Using information technology and knowledge management to gather and transfer knowledge about the customers • Developing an employee focus 	<ul style="list-style-type: none"> • Uses information technology and knowledge management to provide services to customers • IT and KM are used to feed information to employees for providing them with good services • Uses internal and external monitoring to ensure good services 	na

Table 7.23: Service orientation in best practice firms

7.3.2. Critical success factor enablers

The next type of critical success factors are enablers. These are important as they allow the effective operationalization of the strategic plans and objectives of a company. Research has found all of these to be highly important. The findings presented here are based on the literature review and the analysis of Study II. These are discussed in the next few sections.

7.3.2.1 Leadership

Leaderships has been found to be a critical success factor in the development of an effective loyalty management system in this research. Study II outlined this importance by showing that five of six best practice companies were focusing on leadership to enable them to build loyalty and improve performance (see Table 7.24, below). This finding is in line with previous research as discussed in Chapter 2 (Heskett *et al.*, 1994;

Reichheld and Kenny, 1990; Clarke and Payne, 1993; Ennew and Binks, 1996; Reichheld, 2001). This study's findings also confirm previous research, as discussed in Chapter 5, that leadership is important in enabling brand orientation (Aaker, 1996; Lee *et al.*, 2008), customer orientation (Hajjat, 2002; Karvinen and Bennet, 2006), market orientation (Narver and Slater, 1990; Yarbrough and Stassen, 1994; Sussan and Johnson, 1997; Hooley *et al.*, 2000), quality orientation (Bowen and Lawler, 1992; Zairi, 1994; Mohr-Jackson, 1998b; Sinclair and Zairi, 2000; Bergman and Klefsjö, 2007; Sussan and Johnson, 1997; Thiagarajan and Zairi, 1998), and service orientation (Saura *et al.*, 2005).

<i>PVHS</i>	<i>PRO-TEC</i>	<i>CFSC</i>	<i>PPL</i>	<i>Premier</i>	<i>SFF</i>
Creates corporate culture	Adopting best practices	At all levels	Not specified	Implements ethical practices	Guides performance

Table 7.24: Use of leadership in best practice firms

These findings help us to concur that leadership is an important factor in enabling companies to effectively implement a loyalty management framework. Leaders have to focus on building an appropriate corporate culture, work with employees and be dedicated to customer loyalty.

7.3.2.2 Employee focus

Employee focus and the role of employees has been found to be a critical success factor in the development of loyalty in an organization. The findings of Study II suggest that an employee focus is critical in enabling strategic orientations. All six of the companies placed great emphasis on employees. This findings is in line with previous studies as

discussed in the literature review (Kandampully, 1998; Gould, 1998; Yoon and Kim, 2000; Athanasopolulou, 2008; Mattila, 2001a; Heskett, 2002; Barnes, 2003; Shoemaker and Bowen, 2003; Wong, 2004; Liljander and Strandvik, 1995). The findings also correlate with past research discussed in the theory review (Chapter 5) (Shamir, 1980; Klaus, 1985; Hogan *et al.*, 1984; Jaworski and Kohli, 1993; Hooley *et al.*, 2000; Zhou *et al.*, 2008; Burghausen and Fan, 2002; Hankinson, 2001; Lee *et al.*, 2008; Thiagarajan and Zairi, 1998; Sethi, 2000; Hardjono and Marrewijk, 2001; Chang and Chen, 1998; Lai and Cheng, 2005; Saura *et al.*, 2005; Cran, 1994; Schneider and Schechter, 1991; Asif and Sargeant, 2000; Schneider and Bowen, 1985; Schneider *et al.*, 1980; Salvaggio *et al.*, 2007). The table below shows how employee focus is adopted in each of the best practice firms.

<i>PVHS</i>	<i>PRO-TEC</i>	<i>CFSC</i>	<i>PPL</i>	<i>Premier</i>	<i>SFF</i>
Focuses on employee satisfaction and motivation.	Continuous learning. Pays for higher education.	Encourages higher training for better satisfaction.	Engages in succession planning and career progression.	Engages employees in planning process.	Cross functional and cross business training

Table 7.25: Employee focus in best practice firms

These findings lead us to conclude that an employee focus is a critically important enabler in developing an effective loyalty management system. Employees are on the front line and interact with customers. Employees have the ability to convey the message of the company to the customer in the most effective manner.

7.3.2.3 Innovation

This research has found a strong link between innovation and the enabling of a loyalty management system. Innovation has been discussed in past research on customer loyalty (Lee *et al.*, 2003b; Yim *et al.*, 2004; Athanasopolulou, 2008) as well as in past research on strategic business orientations (Lehr, 1980; Senge, 1990; Deshpande *et al.*, 1993; Zairi *et al.*, 1994; MacDonald, 1995; Sussan and Johnson, 1997; Merrilees and Miller, 2001a; Merrilees and Miller, 2001b; Noble *et al.*, 2002; Hajjat, 2002; Berthon *et al.*, 2004; Weerawardena *et al.*, 2006; Ghauri *et al.*, 2008; Lee *et al.*, 2008; Wong and Merrilees, 2008). Study II confirmed these past findings. All six of the best practice firms were involved in innovation. The table below examines the role of innovation in these firms.

<i>PVHS</i>	<i>PRO-TEC</i>	<i>CFSC</i>	<i>PPL</i>	<i>Premier</i>	<i>SFF</i>
Innovation emphasis	Technical innovations	In all aspects of business	Managing for innovation	Seeking breakthrough opportunities	In all processes

Table 7.26: Innovation in best practice firms

We can conclude, based on these findings, that innovation is important in the success of an organization. Innovation is a critical success factor which enables organizations to implement an effective loyalty management mechanism. Innovation is important for all types of organizations no matter what types of products or services they are providing.

7.3.3. Critical success factor tools

Research has pointed towards a third major critical success factor, which is labelled as a tool for implementing the loyalty management strategies and practices. Relationship management is the major tool, which is further supported by the use of information technology and knowledge management. This is now discussed in further detail in the next section.

7.3.3.1 Relationship management

The results of this research have revealed that relationship management is important in the development of loyalty in an organization. Study II suggests that relationship management is critical to the implementation of loyalty strategies and objectives in a firm. Relationship management helps in operationalizing these strategies. These findings are similar to past research (Chapter 2) where it was found that relationship management helps in loyalty development (Peters, 1988; Gronroos, 1990; Gronroos, 1991; Christopher *et al.*, 1991; Morgan and Hunt, 1994; Christopher *et al.*, 1995; Patterson *et al.*, 1997; Blois, 1998; Kandampully, 1998; Knox, 1998; Liljander, 2000; Butcher *et al.*, 2001; Mattila, 2001b; Magi, 2003; Hoisington and Naumann, 2003; Seiders *et al.*, 2005; Athanasopolulou, 2008; Gummesson, 2008). Relationship management has also been discussed as being important in the theory review (Narver and Slater, 1990; Timewell, 1994; Slater and Narver, 1998; Urde, 1999; Henning-Thurau, 2004).

Furthermore, there is support in the literature for the use of information technology (Lee *et al.*, 2003a; Lee *et al.*, 2003b; Yim *et al.*, 2004; Saura *et al.*, 2005) as well as knowledge management (Yim *et al.*, 2004; Gummesson, 2008; Lee *et al.*, 2008) in

loyalty development. The findings of the study have shown that information technology, knowledge management and relationship management are critical to the effective development of a loyalty management system. The study suggests that these are critically important in operationalizing the strategic orientations (see Chapter 6). All six of the best practice firms were involved in implementing relationship management (see Table 7.27 below). On the basis of these findings we can conclude that relationship management, along with information technology and knowledge management are critical success factor tools that allow for the operationalization of a company's loyalty management systems.

<i>PVHS</i>	<i>PRO-TEC</i>	<i>CFSC</i>	<i>PPL</i>	<i>Premier</i>	<i>SFF</i>
With employees and partners	With suppliers & partners	Supplier & customers through intranet, CRM, Tel system	Personalized relationships	Intimate relationships with suppliers and partners	Focus on employees, customers, suppliers & community

Table 7.27: Innovation in best practice firms

7.4. Triangulation of the research findings

As discussed in the research design section (Chapter 3), this study followed a sequential triangulation approach. Based on this approach we have found a number of important variables about customer loyalty and loyalty management through critical factors. The first study on customer loyalty and the second study on business orientations, together, have helped to create a more comprehensive understanding of the loyalty phenomenon. While this study follows a sequential triangulation, much of the results from the

individual studies can be triangulated and verified. The next couple of sections will discuss this further.

7.4.1. Validating the variables from Study I on customer loyalty

The first step within the triangulation process is to look at the results from the individual variables of Study I on loyalty attributes. Since this research followed the sequential triangulation approach, not all of the variables will be validated through both of the studies. Instead the variables have been validated through past research, as already discussed in the preceding sections.

7.4.1.1 Quality

Both studies discussed the importance of quality on loyalty. The first study on customer loyalty found that quality perception was found to be an important variable for determining customer loyalty (as discussed in section 7.2.1.1). This result is very much in line with the findings from the second study on orientations. The second study discusses the role of quality orientation (section 7.3.1.4) and its importance in building loyalty. Both of these findings have also been validated through past research (see sections 7.2.1.1 and 7.3.1.4).

7.4.1.2 Customer satisfaction, memorable experience and service recovery

All of the findings of the research have shown that customer satisfaction, memorable experiences and service recovery are important variables for loyalty. The first study on customer loyalty looked at the level of satisfaction as being important in developing high levels of loyalty (section 7.2.1.2). This has been validated through triangulation with the

second study on orientations. The second study's findings suggest that customer satisfaction is an important variable for developing loyalty where each of the strategic orientations has discussed the importance of customer satisfaction (see sections 7.3.1.1, 7.3.1.2, 7.3.1.3, 7.3.1.4, and 7.3.1.5). Memorable experiences have been discussed as being important in the first study on loyal customers (section 7.2.1.3). These findings correlate with the findings of Study II on critical factors. A number of critical factors have been found to focus on exceeding customer expectations (see market orientation, section 7.3.1.3, quality orientation, section 7.3.1.4, and innovation, section 7.3.2.3). A good service recovery, as well as avoiding service failures, was found to be important to loyalty in the first study (section 7.2.1.4). The findings of Study II seem to correlate with these results. The focus of quality orientation (section 7.3.1.4) is on reducing failures. Moreover the focus of employees (section 7.3.2.2) and leaders (7.3.2.1) is to facilitate the process of service recovery through the use of relationship management tools (section 7.3.3.1). All of these results have also been validated through literature (section 7.2.1.2, 7.2.1.3 and 7.2.1.4).

7.4.1.3 Recommendation and search for alternatives

Both recommendation and search for alternatives were identified in Study I on loyal customers as being important to loyalty. It has been found that loyal customers will increase their recommendation (section 7.2.1.5) and at the same time reduce their search for alternatives (section 7.2.1.7). These results have been verified by literature on both customer loyalty (Chapter 2) as well as on business orientations (Chapter 5), and have been discussed previously (sections 7.2.1.5 and 7.2.1.7).

7.4.1.4 Percent of total spending and premium prices

Two more important variables that have been identified in research are the percentage of total spending and paying of premium prices. Study I on customer loyalty found that both the percentage of total spending (section 7.2.1.6) and the willingness to pay premium prices (section 7.2.1.8) increases with the level of loyalty. These two variables were verified through previous research on loyalty (Chapter 2) as well as on business orientations (Chapter 5).

7.4.1.5 Time

The time a customer spends with a company and its link with loyalty has been found to be important in this research. The first study on loyalty found that higher levels of loyalty take longer to develop (section 7.2.1.9). This result was validated through the past research on both business orientations (Chapter 5) as well as on customer loyalty (Chapter 2).

7.4.1.6 Cultural differences

Results from cultural differences in the first study on loyal customers indicate that brand image is of importance to Asian customers (section 7.2.1.10). Brand has also been linked to loyalty development in the second study on business orientations (section 7.3.1.1). The findings of this have also been validated through past research as previously discussed in section 7.2.1.10.

7.4.2. Validating the critical success factors from Study II on business orientations

The second study's focus was on business orientations and its role in developing loyalty. Moreover, a set of critical success factors were identified which help in the development of an effective loyalty management system. The findings and validation of these is discussed in the following sections.

7.4.2.1 Brand orientation

The second study on business orientations has shown that brand orientation is important in developing loyalty (see section 7.3.1.1). This result can be triangulated through the results of the first study on loyal customers. The first study found that certain cultures value brand image as being important to developing loyalty (section 7.2.1.10). These results have also been validated through past research on brands (section 7.3.1.1) as discussed in both the literature on loyalty as well as business orientations (see Chapters 2 and 5).

7.4.2.2 Quality orientation

Quality has been discussed to be an important factor in developing loyalty in the second study on business orientations. Moreover, this has been found to be a critical factor in developing an effective loyalty management system (section 7.3.1.4). This result can be triangulated with the results from the first study on customer loyalty. The first study found that quality perception was important in determining the level of customer loyalty, where a higher level of quality led to higher loyalty (section 7.2.1.1). These findings have been further validated through past literature (discussed in section 7.3.1.4).

7.4.2.3 Customer, market and service orientation

This research found customer, market and service orientations to be important in the development of loyalty. There is a positive link between these and loyalty development, as found in the second study (sections 7.3.1.3, 7.3.1.3 and 7.3.1.5). These results have been validated through previous research on both business orientations and loyalty (see Chapters 2 and 5 as well as sections 7.3.1.3, 7.3.1.3 and 7.3.1.5 for a discussion). All of these orientations focus on customer satisfaction as a central theme. This result can be triangulated with the first study. Customer satisfaction has been found to be important in the first study on loyal customers (section 7.2.1.2), hence we can infer that it validates the finding that customer, market and service orientation are critically important for a customer loyalty system.

7.4.2.4 Leadership and employee focus

Both good leadership and an employee focus have been found to be important to loyalty. Good leadership and an effective employee focus are critically important in the development of a loyalty management system, as found in Study II on business orientations (sections 7.3.2.1 and 7.3.2.2). The results of these were validated through past research on both customer loyalty (Chapter 2), as well as business orientations (Chapter 5), and were discussed in detail in sections 7.3.2.1 and 7.3.2.2.

7.4.2.5 Innovation and relationship management

The role of innovation and relationship management has been discussed throughout this research. Study II on orientations found both of these to be critically important in developing effective loyalty management systems (sections 7.3.2.3 and 7.3.3.1). These

findings have been further validated by past literature. Loyalty literature (in Chapter 2) discussed the importance of both. Moreover, business orientations literature also discussed the importance of these various orientations (Chapter 5). These links have been discussed in detail in sections 7.3.2.3 and 7.3.3.1.

7.4.3. Conclusion

Both of the studies (on customer loyalty and business orientations) found important variables that affect loyalty and loyal customers. These variables have been validated through literature review and through triangulation between the two studies. However, as stated earlier, this research's focus is on a sequential triangulation. The next step is to create a uniform understanding which combines the results of both studies as well as the literature. In doing this we have created a model, which is presented in the next section. This model is based on the combined results of the two studies as well as the literature.

7.5. A proposed model for loyalty management

This research has examined a number of important factors that are important for loyalty management. The study highlighted the differences in the types of loyal customers and found critical factors needed to develop high levels of loyalty. Based on these findings, it makes sense to combine the results of these studies to produce an integrated model which can help companies in the development and management of loyalty.

The first part of the study (literature review and primary qualitative case studies on loyalty) helped us in identifying the various attributes of the different types of loyal

customers, particularly the emotionally loyal ones. The second phase of the study (theory review and secondary qualitative case studies on business orientations) helped us in finding out the positive link between strategic orientations and customer loyalty. It also helped in identifying critical success factors that companies can adopt if they want to build high levels of loyalty in their firms and want to succeed. Based on these two studies, a model for loyalty management has been developed. The proposed model is a tool which can be used by companies who wish to develop and manage their loyal customers (see Figure 7.1 below).

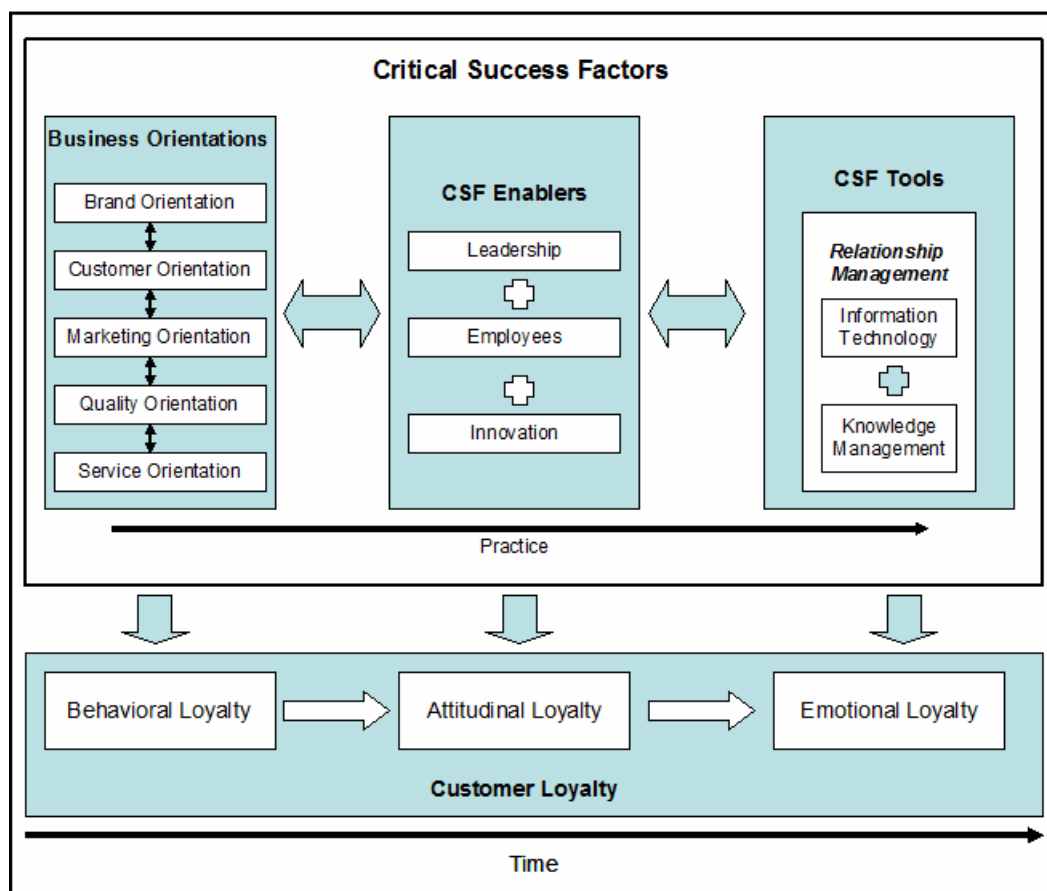


Figure 7.1: Proposed broad level model for loyalty management

7.5.1. Model overview and refinement

The model in Figure 7.1 shows that there are several key parts to developing loyalty. The top part is made up of critical success factors (CSFs). These are necessary for the effective implementation of the system. Within the CSFs, the first set belongs to business orientations, which are important in setting strategic focus for a business in developing loyalty. All five of the orientations are important and interlinked with one another. Next, we have a set of critical success factor enablers. These enablers allow the company to operationalize the strategic goals into plans of action. Each of these is important for the development of loyalty within an organization. Absence of one, can lead to failures in the model. The third part of the critical success factors entails the tools. These are important in implementing the goals and objectives of the company and facilitating the process of loyalty development. The three main parts are interlinked with one another and feed into each other. Business orientations set direction and strategic level planning. The enablers interact with them to gain guidance. Enablers work on the directives of the orientations. The tools interact with the enablers and allow for operationalizing of the system.

Effective implementation of all of these critical success factors then leads to the development of loyalty. The level of the implementation (practice) will determine the type of loyalty that customers will move into. A higher level of implementation will result in higher levels (i.e. attitudinal and emotional) of loyalty. Moreover, the whole system is dependent on time. It takes time to implement the system, and it takes time for customers to move from behavioural loyalty to emotional loyalty.

This is a broad overview of the loyalty management model. This model may be useful for researchers who would like to use it to study the relationships between various variables, but it does not seem to be very “management” friendly. This model, however, can be further simplified for use by managers who can use it for implementing customer loyalty management techniques. The following is a diagram of the refined customer loyalty model:

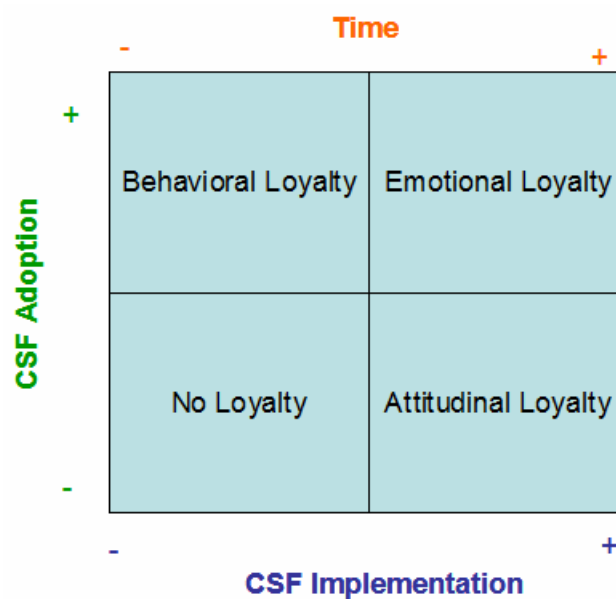


Figure 7.2: A proposed loyalty management model

7.5.1.1 Overview of the refined model

The refined model has three main parts to it. On the left side we measure the critical success factor adoption. This refers to the number of critical success factors that have been adopted by an organization. A company that adopts a higher number of these will enjoy greater benefits. The lower end represents the degree of implementation of these critical success factors. It is one thing to say that a company will create customer friendly policies; it is another thing to actually implement it in practice. Hence,

companies that have a higher degree of implementation will have a higher level of loyalty development. Finally, on the top of the matrix, we have the time element. Since it takes time to develop loyalty, a larger amount of time will lead to greater development of loyalty. Thus, a company that has a high level of CSF adoption, and a high level of CSF implementation, will get most of their customers to become emotionally loyal over time.

The refined model allows managers to easily manage customer loyalty within an organization and plan for the future. Companies can map their loyalty on this, and figure out what they need to do to move to a higher level. The next few sections will discuss the various parts of the two models in more detail.

7.5.2. Developing and managing loyalty

Developing and managing loyalty requires three main elements. These are the critical success factors of business orientations, enablers and tools. Companies that are good at adopting higher levels of these will have a greater chance of success. The next most important thing is to implement these to the best possible extent. For instance, a company may have an IT system, but if it is too difficult to operate, it may hamper the process. Thus, it is imperative that companies implement these critical success factors in the best possible manner. All of these factors will require some time to take effect. Once the whole system starts working, customers will start to become loyal. However, it will take time for customers to fully convert from behaviourally loyal, to emotionally loyal customers. In the next few sections we will discuss the various parts of the two models.

7.5.2.1 Strategic orientations

This study found that strategic orientations are critically important for the development of an effective loyalty management system. Each of the five business orientations has a positive impact on loyalty development and overall performance of a company. The three most important of these are customer orientation, market orientation and quality orientation (see Table 7.28 below).

<i>Business orientation</i>	<i>Impact</i>	<i>Rank</i>
Customer orientation	2.33	1
Quality orientation	2.29	2
Market orientation	2.26	3
Service orientation	1.25	4
Brand orientation	1.00	5

Table 7.28: A ranking of the business orientations

However brand and service orientation also have a positive impact on the development of loyalty. Companies should consider creating a mix of these five that best suits their requirements and environmental situation. However, it is recommended that adopting all five of these will create the greatest impact on the customer. Next we will discuss each of these strategic orientations in detail.

7.5.2.1.1 Brand orientation

Brand orientation is important in creating a preference for a brand. Brand orientation also helps to distinguish the brand from competitors. The overall impact of brand

orientation is positive on the development of customer loyalty. Companies that sell products or services which are very similar to competing products can create a preference for their brand through branding.

Effective brand orientation should focus on creating a unique image of the brand in the minds of the customer. Products or services must be communicated in such a way that customers feel they are getting something special. Good branding also has an impact on creating a better image of the company's products and services. A good brand oriented company should focus on the brand at every part of the process of interaction with the customer. Everything from the stationery, the website, to the logos, promotional material and advertising needs to be focused on promoting the brand.

7.5.2.1.2 *Customer orientation*

Customer orientation focuses the efforts of the company on understanding the needs and wants of the customers. A customer orientation is critically important to the effective development of a loyalty management system, and is a highly important factor in this loyalty management model. A customer orientation should allow the company to create a system for monitoring, analyzing and solving the problems and demands of customers. Customer orientation should allow companies to positively and quickly react to customer complaints and feedback.

Customer oriented companies need to be able to search for customer information on a continuous basis. It should also allow customers to give feedback and give their input to the development of new products and services. Customer orientation helps a company

to keep abreast of changes in the wants and needs of customers. This is highly important to the development of loyalty as it enables the company to focus on the most important thing, i.e. the customer.

7.5.2.1.3 Market orientation

Market orientation is important for the development of loyalty as it allows companies to not only monitor the preferences of a customer, but also monitor the whole environment. Merely knowing what a customer wants is not good enough. To really excel a company should be able to examine the products and services of its competitors and then develop something which is better than the competition. Market orientation allows companies to generate the market intelligence which is crucial to understanding the needs of customers and the offerings of competitors.

Market orientation also allows companies to be able to measure things such as customer satisfaction and customer loyalty. This is important as it gives a guideline to the company on where to improve. Market orientation also allows a company to focus the efforts of the whole company on customer satisfaction. Although customer satisfaction alone does not lead to loyalty, it is an important factor. Thus market orientation allows companies to produce a mix of factors that are important in the development of customer loyalty.

7.5.2.1.4 Quality orientation

A quality orientation is also very important in the development of loyalty. It is a critically important factor within the loyalty management model. Quality orientation

focuses on understanding quality from a customer's perspective. Moreover, it makes companies pursue a company-wide quality focus. Quality orientation helps companies to improve quality on a continuous basis, and in every part of the organization.

Quality orientation is important in the loyalty model because it helps us in focusing on and meeting the quality needs of customers. Quality is important in developing high levels of loyalty hence it is imperative that customers should dictate the level of quality to be produced. Quality orientation also focuses on innovation within the whole organization to improve quality. Finally, quality orientation should help companies develop a system where they can define, monitor and control quality.

7.5.2.1.5 Service orientation

The final business orientation that is of importance is service orientation. A service orientation integrates information technology to help improve the services that a company provides to customers. Service orientation is also important for companies that sell products, as it allows them to create an edge over competitors by adding value. Service orientation is critically important in the development of loyalty because it helps companies to create a system whereby the whole company is focusing on satisfying the needs of the customers. Service orientation helps companies to create a prevention management system for service failures. It also helps companies in responding to and dealing with failures in a positive manner. Overall, a service orientation helps companies in giving customers added value.

7.5.2.2 Enablers

Within the loyalty model, the next most important critical success factors are the enablers. These are the factors that assist an organization in enabling it to implement the goals and objectives of the business orientations. Each is very important in developing an effective loyalty management system. However, all should be implemented in the best possible manner. A failure in any one of these will result in the whole system not working effectively. The next section discusses each of these enablers.

7.5.2.2.1 Leadership

Effective leadership is critical in directing the company towards a culture that focuses on building customer loyalty. First the leadership, specifically at the higher levels, needs to focus on and have a commitment to building customer loyalty. The leaders should look at the strategic orientations and convert these into operational level plans and actions, which the company can follow. Leaders need to lead through example and must motivate their employees to achieve the best performance. Leaders need to set high priority for achieving emotional loyalty with customers. They need to set appropriate goals and must set up a system to monitor the performance of the organization. Leaders need to be involved in all aspects of the business and have to liaise between the various stakeholders in an organization. Furthermore, they must make use of employees, innovation and tools to achieve their maximum potential for the development of customer loyalty.

7.5.2.2.2 *Employee focus*

The focus on employees is highly important in the effective implementation of a loyalty management system. Employees are the main line of contact between a company and the customer. They are also the producers of both products and services in an organization. Employees thus represent the firm in more ways than one, and have a great degree of impact on the experience a customer has with an organization.

Therefore employees need to be recruited carefully to ensure they can fit into the culture of an organization. Employees must also be given training on the philosophies of the company as well as on technical know-how and skills. Employees need to be motivated and satisfied, as these types of employees tend to produce a higher quality of services. Employees should also be empowered to make decisions, as this helps the company in improving quality and implementing better service recovery systems.

7.5.2.2.3 *Innovation*

The final enabler for the critical success factors is innovation. While other factors focus on giving the customer what he/she wants, innovation can help companies to go beyond that to offer something pleasantly unexpected. Innovation also allows companies to save costs through newer technologies and processes. Through innovations companies can work on and develop newer products and services. Innovation allows a company to be creative and thus beat the competition as well as surprise the customer. Since surprises, and going beyond customer expectation are crucial to developing higher levels of loyalty, innovation is considered to be a critical success factor in the loyalty model.

7.5.2.3 Tools

The final element within the loyalty management model is the tools. These are the factors that help in operationalizing the plans and goals. These also assist the enablers in carrying out their task in an effective and efficient manner. The main tool is relationship management. Relationship management focuses on creating and building relationships with all stakeholders, including customers. Building relationships is important to the development of loyalty, and is critically important in the loyalty management framework. Information technology assists in the capture, storage, processing and transfer of data which is critical in all areas of the company. Moreover, knowledge management is used to create a system where companies can progressively work to seek, maintain and communicate vital information within the organization. Together these three tools help in implementing the various factors more efficiently and effectively.

7.5.2.4 Time

The final variable within the loyalty management model is the element of time. This study has found that time is critically important in the development of loyalty. Emotionally loyal customers will not reach the level of emotional loyalty until a certain period of time has passed. Hence, when we examine the system we must keep time in mind. This is important as it helps companies in planning strategies for the future. If companies know where they are on the loyalty model, they will be able to create plans that will cater to the different types of loyal customers. For instance, a company will not want to increase fares if its customers have not reached the emotional loyalty phase. Furthermore, for the effective implementation and adoption of critical success factors, time is needed. It is impossible for a firm to create the perfect system overnight.

Employee have to be trained, systems set in place, etc. All of these variables take time. Thus, customers become loyal to a company over a certain period of time. This time varies from one industry to another. Therefore it is important for companies to learn more about their customers before jotting down timeframes within the loyalty matrix. However, this research presented a general guideline for the minimum time it takes for customers to move through the various stages of loyalty.

7.5.2.5 Conclusion

Each of these factors is important in the development of a loyalty management system. Companies need to look at three main dimensions: 1) to adopt a high degree of critical success factors, 2) to properly implement these critical success factors, and 3) to allow a certain period of time to let these activities take effect. All of these three combined will lead towards higher levels of customer loyalty. Next, a tool is presented, which can be used in conjunction with the loyalty model.

7.5.3. A proposed tool to assist in loyalty management

In addition to the proposed model for loyalty management, it will be useful for us to create a tool which can be utilized by assess the loyalty and orientations within an organization. A popular tool which is extensively used for quality management is Quality Function Development (QFD), (Chan and Wu, 2002, Bossert, 1990, Akao, 2004). Based on the model presented above and utilizing the principles of the QFD a loyalty management tool is presented (see figure 7.3). This tool looks at the ‘how’ and the ‘what’ factors related to customer loyalty. This tool can then be used by a company to assess the loyalty management activities in the company.

Customer Loyalty		Loyalty Type		Emotional Loyalty						Attitudinal Loyalty				Behavioral Loyalty															
		Attributes		Quality	Satisfaction	Recommendation	Search for Alternatives	Total Spending	Premium Prices	Memorable Experiences	Service Failures	Quality	Satisfaction	Recommendation	Search for Alternatives	Total Spending	Premium Prices	Service Failures	Quality	Satisfaction	Search for Alternatives	Premium Prices	Total Spending						
Business Orientations	Critical Success Factor (Orientation)	Critical Success Factors & Tools	Success Enablers	Description		Excellent	Very High	Always & frequently	Never	80-100%	Accept up to 20%	Yes	Never	Always good recovery	Good	Satisfied	Yes, sometimes	Yes	60-80%	Never	Some	Without excellent recovery	Acceptable for situation	Average to low	Always	Never	Low		
				Description																									
Brand Orientation	Leaders	Focused on Orientation																											
		Create a culture around O.																											
		Setting goals about the O																											
		Monitoring performance																											
	Employees	Focused on the Orientation																											
		Implementing policies																											
		Getting training relative to O.																											
		Are satisfied																											
	Innovation	Feel motivated																											
		Implemented in all areas																											
		All employees focused on I																											
		Part of company strategy																											
	Relationship Management	Support goals of Orientation																											
		Focused on RM for customers																											
		Initiating RM for stakeholders																											
		Using IT for collecting data																											
Using IT for storing & processing info																													
Using IT for communicating data																													
Use of KM principles to manage info																													
Customer Orientation	Leaders	Focused on Orientation																											
		Create a culture around O.																											
		Setting goals about the O																											
		Monitoring performance																											
	Employees	Focused on the Orientation																											
		Implementing policies																											
		Getting training relative to O.																											
		Are satisfied																											
	Innovation	Feel motivated																											
		Implemented in all areas																											
		All employees focused on I																											
		Part of company strategy																											
	Relationship Management	Support goals of Orientation																											
		Focused on RM for customers																											
		Initiating RM for stakeholders																											
		Using IT for collecting data																											
Using IT for storing & processing info																													
Using IT for communicating data																													
Use of KM principles to manage info																													

Figure 7.3: Proposed loyalty management tool

The 'what' factors are the three levels of loyalty shown at the top of this table. These are further subdivided into three levels, with each level going into more detail. On the left side are the 'how' factors, or the critical success factors relating to business orientations. These are also divided into three levels, with the first level looking at orientations, the second examining CSF enablers and tools, and the third dealing with descriptions of each of these.

For a company to use this tool, they will need to first examine their customers according to criteria laid out on the top of the table. Next, the company will need to carry out an assessment exercise to see which of the factors they are implementing and the degree to which they are doing this. The degree can be categorized as strong (S), medium (M) and weak (W). The third step would be to plot against each variable on the top of the table, to the corresponding factors on the left side that are being deployed by the company. For all the factors present on the loyalty side, the corresponding cell will be marked with an S, M, or a W in the cells that correlate with the orientations side. Only those orientation (description) cells will be filled in, which a company is pursuing. Hence, the table will be spotted with S, M and Ws. By looking at the table, a company would be able to spot how strong practice in some areas is leading the company to positive effects on the loyalty side, or the evidence of weak practices leading to lower level loyalty factors.

7.5.3.1 Conclusion

The example presented in table 7.3 is a sample table, and would need to be modified according to each company. However, it gives us an idea of how we can use this tool to

examine the loyalty types and practices within an organization. This would also assist the company in deciding where it would place itself on the loyalty management model's matrix.

7.6. Summary

This chapter looked at and analyzed the findings from this research. First, findings from the first study on loyalty attributes were discussed. This was followed by a discussion of the findings from the second study on business orientation. Next, a triangulation of the results was undertaken to validate the findings of the research, based on which a proposed model for managing loyalty was presented. This model was further simplified for use by managers. Finally, the various parts of the model were discussed in detail. The next chapter draws conclusions from the whole research, looks at the importance of this work, the difficulties faced during research, and future avenues for research.

Chapter 8: Conclusion and recommendations

8.1. Introduction

This chapter looks back at the whole research project and brings together the findings to draw conclusions. First a summary of the research will be presented, which will look at the entire research process. This will also examine the research objectives to see if they have been achieved. Next, key findings of the research will be discussed. This section will look at the findings from both studies (on customer loyalty and business orientations) carried out in this research. Moreover, we will look at the key contributions this study has made from both an academic as well as a managerial perspective. Limitations of the research will also be discussed, which will be followed by recommendations for further research.

8.2. Research summary

The main objective of this research was to propose a model for understanding and managing loyalty based on strategic business orientations. The results of this study have enabled production of such a model. Moreover this research had a number of primary objectives. The research has been able to meet each of these objectives. These are discussed in the following few paragraphs.

The first objective was to find the factors that distinguish emotionally loyal customers from attitudinally loyal customers. This objective was achieved mainly through the first

study on loyal customers, backed up by the literature on loyalty. This research found differences in key variables between attitudinally loyal and emotionally loyal customers.

The second objective was to explore the factors which explain the development of emotional loyalty towards these companies. Again, this was achieved through the first study on loyalty with the help of customer loyalty literature. Key factors were identified which are important in developing loyalty (both attitudinal and emotional).

The third objective was to find differences in the way customers exhibit emotional loyalty. Through in-depth interviews conducted in the first study on loyal customers, we were able to find these differences. This study achieved this objective by examining the differences between Asian and European customers.

The fourth objective was to explore the role that strategic business orientations play in the development of high levels of loyalty within an organization. This objective was explored in the theory review on business orientations as well as in the best practice case studies. This research has been able to find the answer to this objective.

The fifth objective was to identify the critical success factors for organizations who want to develop high levels of loyalty within their organizations. This objective was also achieved as a result of this study. Based on the understanding developed in the theory review, as well as the findings of best practice case studies, we have been able to identify these critical success factors.

Finally, the last objective of the study was to present a model that would help managers and researchers to better understand and manage loyalty in an organization. This research has been able to accomplish this task as well. This objective was achieved through the data from the whole of the research, including through the understanding developed in the literature and theory reviews, as well as through the loyalty cases in Study I and the business orientations cases in Study II. Using a triangulation approach the findings were analyzed and verified.

The next section looks at the key findings of this research.

8.3. Key findings

This research has produced a number of key findings. The first set of key findings relates to the differences in attributes between emotionally loyal and attitudinally loyal customers. The second set of key findings relates to the critical success factors that are essential in developing an effective loyalty management system.

8.3.1. Findings of the study on customer loyalty

The first study on customer loyalty produced some interesting findings about the differences in the two types of loyalty. The first difference is the quality perception of these two types of customers. The results show that emotionally loyal customers have a higher perception of the quality of products and services they receive from the company. Attitudinally loyal customers thought the quality was good, but not better than competitors.

The second important finding is that emotionally attached customers seem to have a higher level of satisfaction than the attitudinally loyal customers. Many companies conduct customer satisfaction surveys, however are unable to differentiate loyal customers on the basis of these surveys. They will now be able to do this as a result of our findings. This study shows that those customers who are at the highest level of satisfaction will most probably be the emotionally loyal customers. Attitudinally loyal customers, in contrast, will be satisfied, but do not reach the highest level.

The third variable that was found to be important was memorable experiences. Emotionally loyal customers experience these, whereas the attitudinally customers do not experience these at all. This suggests that creating memorable experiences is important in developing emotional loyalty.

Another important finding was the absence of service failures as well as good service recovery. Emotionally loyal customers experienced very few service failures. The service failures they experienced were followed by better than expected service recovery. Attitudinally loyal customers experienced more service failures, with often poor or no service recovery at all. This was an important finding in the difference between attitudinally loyal and emotionally loyal customers.

A fifth distinguishing characteristic between these two customers, as discovered in this research, was the tendency to recommend the company to others. Although both of these types of customers recommend the company, the intensity with which emotionally loyal customers do it is much higher than attitudinally loyal customers.

The percentage of total spend was also discovered to be an important distinguishing variable. Emotionally loyal customers spend, on average, an extra 30% with the firm as compared to attitudinally loyal customers. Moreover, it was discovered that while attitudinally loyal customers searched for alternatives, emotionally loyal customers did not search at all.

Another important factor was the time it takes customers to reach the various levels of loyalty. This study found that emotionally loyal customers take about 5 years to reach this level, whereas it takes about 3 years to become attitudinally loyal. Finally, the study also found that emotionally loyal customers were willing to pay up to 20% extra to receive the same service. In contrast, attitudinally loyal customers were not willing to pay any extra money.

The final important factor that was discovered related to cultural differences. Asian customers tend to value brand image from the early phases until the attitudinal loyalty stage. Some of these customers did go on to achieve emotional attachment, at which time brand image was no longer considered important. For European customers, brand image was not an important factor at any level of loyalty.

8.3.2. Findings of study on business orientations

The second study's finding on business orientations revealed critical success factors. These factors are key to the development of an effective loyalty management system. These findings are discussed in the paragraphs that follow.

The first of these factors was brand orientation. Brand orientation ranked the least important business orientation; however it did have a positive impact on customer loyalty. Brand orientation leads companies to develop a distinct brand image, which is important in creating brand preference. Customer orientation in contrast was found to be the most important of the business orientations, as it produced the highest level of impact on a business. This orientation helped companies to focus on the customer and to find out what the customer wants. The other two important orientations were market orientation and quality orientation. Market orientation looked at the whole market, including customers and competitors. Quality orientation allowed the company to continuously improve quality in all areas of business. Finally, service orientation helped companies to improve services and to achieve customer satisfaction. Another important key finding was that each of these five orientations should be implemented together to achieve the greatest impact on business performance and loyalty.

The other four critical factors included focused leadership. Good leadership was found to be a critical factor to the development of a good loyalty management system. Leaders were found to direct the whole organization towards the company's mission. Employees were another critical success factor. Employees play a key role as they are the main link between a company and its customers. Moreover, innovation was found to be a critical success factor. Innovation helps companies to produce new products, services and reduce costs. It helps companies to get ahead of the competition and to surprise customers. Finally, relationship management, accompanied by information technology and knowledge management were found to be highly important. Relationship management focuses on building relationships with all of the stakeholders, including

customers, suppliers and partners. IT and KM assist companies by improving the gathering, collection, storing, processing and communication of data. The study also found that all of these factors are critically important in the development of an effective loyalty management system. The absence of one of these critical success factors will have a negative impact on the whole system.

8.4. Major contributions of the study

The study has made some important contributions from a managerial as well from an academic perspective. First this study has filled some major gaps in both loyalty research as well as management research on business orientations. The research has found an important link between strategic orientations and customer loyalty.

The study has identified important factors that distinguish attitudinally loyal from emotionally loyal customers. This is highly important if we want to research loyal customers. Knowing which customers have certain characteristics will allow both managers and researchers to create categories of loyal customers. Researchers will be able to study the effects of various variables on each of these customer types. Managers will be able to segment their customer base in a more suitable manner, allowing them to draw separate strategies for each group. Having an understanding of the differences between cultures will allow managers to create distinct plans to cater to the needs of various cultural groups.

For managers to know that all five of the business orientations are important is crucial for business success. Managers will now be able to focus on adopting and focusing on all five of these, instead of just focusing on one, or a few. This also gives researchers an opportunity to create better business models, and study the relationships between these variables in more detail.

The model presented in the study will improve a company's ability to manage its customer base. Companies will be able to use the model to identify the level they are at within the loyalty matrix. This will also give them an idea of what is required of them to move from the state of loyalty they are in to a higher state of loyalty. The same model can also be used to create categories within the customer base of a company, plotting each group on the matrix. This will allow companies to devise separate strategies for managing each group of customers. Researchers will be able to use this model to categorize companies and customers in a more meaningful manner, allowing them to draw better conclusions from their research.

8.5. Limitations of the study

As with any study, this also had its limitations. The first limitation was that of time. While three companies were used for the first set of cases, a number of other companies had also shown a willingness to participate. However, due to a limitation in time, this was not possible.

The second set of case studies looked at secondary data. While this is an acceptable practice, it was not possible to collect primary data due to a limitation in time and money. Methodologically speaking the limitation of the study was a lack of quantitative research.

While the researcher would have liked to examine other industries for the research's primary case studies, this was not possible due to access issues. While this research has a few limitations, the overall results are still very useful and the data reliable. However, each research leaves its gaps which need to be filled through further study. The next section will examine some of these areas.

8.6. Directions for future research

Each piece of completed research that finds the answer to one question opens up a whole set of new questions to be answered. On the basis of this research a number of interesting areas are now open which require further attention. First, in terms of the data from the two types of loyal customers, we need to calculate the exact impact of the various loyalties on business. Past research has looked at an overall impact of loyalty; with this research we will now be able to study the impact of each of these types of loyalties.

Second, researchers may wish to examine the differences in loyal customers in other industries. Two have been examined in this research, both of which are predominantly service focused (as opposed to selling products). Researchers may want to confirm

these findings in other industries as well. Researchers may also wish to study whether it is possible to reduce the time it takes for customers to become emotionally attached.

While the study has pointed towards the importance of each of the five orientations on loyalty, we need to create a better understanding of the exact impact of each of these on different types of loyalties. Furthermore, an interrelationship between these also needs to be addressed by future research.

On the basis of the model presented in this thesis, further research can be carried out to compare different types of companies. The model could be used as a measuring instrument to conduct a comparison analysis between the firms and their loyalty levels.

Finally, it is felt that longitudinal research on loyalty is needed. Loyalty is a phenomenon which develops over time. It will be interesting to track customers through the various stages of their loyalty development process and to examine the effects of the various factors, as identified in this study, on loyalty.

8.7. Conclusion

Customer loyalty is an important factor in helping companies to achieve higher levels of profitability, and overall business success. However, prior to this study, little was known about the various types of loyal customers. Moreover, a number of business orientations were known to lead companies to loyalty, but the exact answers were not available. This research has bridged this gap by identifying the factors that differentiate

different types of loyal customers and finding the critical success factors needed to develop a loyalty management system. Moreover, the study has presented a model that could be used by both researchers and managers to understand and manage loyalty in a more effective manner. The findings of this research have set up a launch pad for further research on loyalty. As we close one chapter on managerial research, we hope it will lead to the opening of many new ones, which will continue to improve our understanding on how to build and manage better businesses.

Appendix

Guide questions to in depth interviews:

- 1. Time duration**
 - a. How long have you been with company X?
 - b. How did you hear about them?
 - c. Do you buy online or on the high street?
- 2. Experience**
 - a. What was your experience like the first time
 - b. How has it been since
 - c. Any memorable experiences?
- 3. Search for alternatives**
 - a. Why do you feel that you go back to them
 - b. I regularly search and compare what competitors are offering.
 - c. Did you explore alternatives to this company?
 - d. Do you try to do business with this company, whenever you need to make a purchase without looking at alternatives?
- 4. Communications**
 - a. Do you receive personal recognition
 - b. Do you have a feeling of familiarity
- 5. Loyalty**
 - a. Consider this company your first choice to buy services
 - b. Do more business with this company in the future
 - c. As long as present service continues, I doubt that I would switch
 - d. I like doing business with this company
- 6. Word-of-mouth**
 - a. Say positive things about this company to other people
 - b. Recommend this company to someone who seeks your advice
 - c. Encourage friends and relatives to do business with this company
 - d. I hesitate to refer my acquaintances to this company
- 3. Willingness to pay more**
 - a. Continue to do business with this company if its prices increase somewhat.
 - b. Will you pay a higher price at this company relative to the competitors for the same benefit?
 - c. Will you stop doing business with this company if its competitors' prices decrease somewhat?
- 4. Buying Behavior**
 - a. What percentage of your total business do you do with this company?
 - b. I frequently purchase other services from this company.
- 5. Service Quality**
 - a. I like the overall quality of the core services
 - b. I like the overall quality of the supplementary services

References

- Aaker, D. A. (1988) *Strategic Market Management*, New York, John Wiley & Sons Inc.
- Aaker, D. A. (1996) *Building Strong Brands*, New York, NY, Free Press.
- Ahuvia, A. (1992) For the love of money, materialism, and product love. IN Rudmin, F. & Richins, M. (Eds.) *Meaning, measure, and morality of materialism*. Provo, UT, Association for Consumer Research.
- Akao, Y. (Ed.) (2004) *Quality function deployment: Integrating customer requirements into product design*, New York, NY, Productivity Press.
- Anderson, E. W., Fornell, C. & Mazvancheryl, S. K. (2004) Customer satisfaction and shareholder value. *Journal of Marketing*, 68(October), pp. 172-185.
- Anderson, R. E. & Srinivasan, S. S. (2003) E-satisfaction and e-loyalty: A contingency framework. *Psychology and Marketing*, 20(2), pp. 123.
- Anderson, S. (2003) Create a client loyalty program. *Rough Notes*, 146(3), pp. 52.
- Andreassen, T. W. (1994) Satisfaction, Loyalty and Reputation as Indicators of Customer Orientation in the Public Sector. *International Journal of Public Sector Management*, 7(2), pp. 16-34.
- Anonymous (1996) Database marketing: Leveraging the bank's information assets. *Bank Management*.
- Appiah-Adu, K. & Singh, S. (1998) Customer Orientation and Performance: a study of SMEs. *Management Decision*, 36(6), pp. 385-394.
- Arnould, E. J. & Price, L. L. (1993) River Magic: Extraordinary Experience and the Extended Service Encounter. *Journal of Consumer Research*, 20(June), pp. 24-45.
- Asif, S. & Sargeant, A. (2000) Modeling internal communications in the financial services sector. *European Journal of Marketing*, 34(3/4), pp. 299-317.
- Athanasopolulou, P. (2008) Antecedents and consequences of relationship quality in athletic services. *Managing Service Quality*, 18(5), pp. 479-495.
- Atilgan, E., Akinci, S. & Aksoy, S. (2003) Mapping service quality in the tourism industry. *Managing Service Quality*, 13(5), pp. 412-422.
- Aydin, S., Ozer, G. & Arasil, O. (2005) Customer loyalty and effect of switching costs as a moderator variable. *Marketing Intelligence & Planning*, 23(1), pp. 89-103.
- Babbie, E. (1990) *Survey Research Methods*, Belmont, CA, Wadsworth.

- Babin, B. J. & Boles, J. S. (1996) The effects of perceived co-worker involvement and superior support on service provider role stress, performance and job satisfaction. *Journal of Retailing*, 72(1), pp. 57-75.
- Baldinger, A. L. & Rubinson, J. (1996) Brand loyalty: the link between attitude and behavior. *Journal of Advertising Research*, 36(6), pp. 22-34.
- Baloglu, S. (2002) Dimensions of customer loyalty: separating friends from well wishers. *The Cornell Hotel and Restaurant Administration Quarterly*, 43(1), pp. 47-59.
- Bandyopadhyay, S. & Martell, M. (2007) Does attitudinal loyalty influence behavioral loyalty? A theoretical and empirical study. *Journal of Retailing and Consumer Services*, 14, pp. 35-44.
- Barajas, A. & Crolley, L. (2005) A model to explain support in Spanish football. University Library of Munich, Germany, [Online] Available at <http://mpra.ub.uni-muenchen.de/3235>, [Accessed on November 6, 2007]
- Barnes, J. G. (2003) Establishing meaningful customer relationships: why some companies and brands mean more to their customers. *Managing Service Quality*, 13(3).
- Bearden, W. & Teel, J. E. (1983) Selected determinants of consumer satisfaction and complaint behavior. *Journal of Marketing Research*, 20(February), pp. 21-28.
- Bejou, D., Ennew, C. T. & Palmer, A. (1998) Trust, ethics and relationship satisfaction. *International Journal of Bank Marketing*, 16(4), pp. 170-175.
- Bejou, D. & Palmer, A. (1998) Service failure and loyalty: an exploratory empirical study of airline customers. *Journal of Services Marketing*, 12(1), pp. 7-22.
- Bellizzi, J. A. & Bristol, T. (2004) An assessment of supermarket loyalty cards in one major US market *Journal of Consumer Marketing*, 21(2), pp. 144-154.
- Bennett, R. & Cooper, R. (1979) Beyond the marketing concept. *Business Horizons*, June, pp. 76-83.
- Bennett, R. & Rundle-Thiele, S. (2004) Customer satisfaction should not be the only goal. *Journal of Services Marketing*, 18(7), pp. 514-523.
- Bergman, B. & Klefsjö, B. (2007) *Quality: from customer needs to customer satisfaction*, Lund, Studentlitteratur.
- Bergquist, T. M. & Ramsing, K. D. (1999) Measuring Performance After Meeting Award Criteria. *Quality Progress*, September, pp. 66-72.

- Berry, L. (2000) Cultivating Service Brand Equity. *Journal of Academy of Marketing Science*, 28(1), pp. 128-137.
- Berry, L. & Parasuraman, A. (1991) *Marketing Services: Competing through quality*, New York, NY, Free Press.
- Berthon, P., Hulbert, J. M. & Pitt, L. (2004) Innovation or customer orientation? An empirical investigation. *European Journal of Marketing*, 38(9/10), pp. 1065-1090.
- Besson, R. M. & Jackson, D. W. (1975) Service marketing - a strategic marketing approach. *Journal of Retail Banking*, 8, pp. 137-149.
- Bettencourt, L. A. & Gwinner, K. (1996) Customization of the service experience: the role of the frontline employee. *International Journal of Service Industry Management*, 7(2), pp. 3-20.
- Bitner, M. J., Booms, B. H. & Tetreault, M. S. (1990) The service encounter: diagnosing favorable and unfavorable incidents. *Journal of Marketing*, 54(1), pp. 71-84.
- Blaikie, N. (1993) *Approaches to Social Enquiry*, Cambridge, Polity.
- Bloemer, J. M. M. & Poiesz, T. B. C. (1989) The illusion of consumer satisfaction. *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 2, pp. 43-4.
- Blois, K. (1998) Don't all firms have relationships? *The Journal of Business & Industrial Marketing*, 13(3), pp. 256.
- Boles, J. S., Babin, B. J., Brasher, T. G. & Brooks, C. (2001) An examination of the relationships between retail work environments, salesperson selling orientation-customer orientation and job performance. *Journal of Marketing Theory and Practice*, 9(3), pp. 1-13.
- Bossert, J. L. (1990) *Quality Function Deployment: A Practitioner's Approach*, Milwaukee, Wisconsin, ASQC Quality Press.
- Bounds, G., Yorks, L., Adams, M. & Ranney, G. (1994) *Beyond total quality management: Toward the emerging paradigm*, New York, N.Y., McGraw Hill.
- Bove, L. L. & Johnson, L. W. (2000) A customer-service worker relationship model. *International Journal of Service Industry Management*, 11(5), pp. 491-511.
- Bowen, D. E. & Lawler, E. E. I. (1992) *Total Quality-Oriented Human Resource Management*. Los Angeles, CA, Center for Effective Organizations.
- Bowen, D. E. & Schneider, B. (1985) Boundary-spanning role employees and the service industry: some guidelines for management and research. IN Czepiel, J.

- A., Solomon, M. R. & Surprenant, C. F. (Eds.) *The Service Encounter*. Lexington, MA, D.C. Heath.
- Bowen, D. E. & Schneider, B. (1988) Services marketing and management: Implications for organizational behavior. *Research in organizational behavior*, 10, pp. 43-80.
- Bowen, J. T. & Chen, S.-L. (2001) The relationship between customer loyalty and customer satisfaction. *International Journal of Contemporary Hospitality Management*, 13(5), pp. 213-17.
- Brady, M. K. & Cronin, J. J. J. (2001) Customer orientation: Effects on customer service perceptions and outcome behaviors. *Journal of Service Research*, 3(3), pp. 241-251.
- Bridson, K. & Evans, J. (2004) The secret to a fashion advantage is brand orientation. *International Journal of Retail & Distribution Management*, 32(8), pp. 403-411.
- Brookes, R. (Ed.) (1995) *Customer Satisfaction Research*, Amsterdam, ESOMAR.
- Brookman, F. (1999) Marketers mull loyalty programs. *Discount Store News*.
- Brown, J. & Reingen, P. (1987) Social Ties and Word-of Mouth Referral Behavior. *Journal of Consumer Research*, 14(3), pp. 350-362.
- Bryman, A. (1988) *Quantity and Quality in Social Research*, London, Routledge.
- Bryman, A. (1989) *Research methods and organization studies*, London, Urwin Hyman.
- Burghausen, M. & Fan, Y. (2002) Corporate branding in the retail sector: A pilot study. *Corporate Communications: An International Journal*, 7(2), pp. 92-99.
- Butcher, K., Sparks, B. & O'Callaghan, F. (2001) Evaluative and relational influences on service loyalty. *International Journal of Service Industry Management*, 12(4), pp. 310 - 327.
- Butz, H. E. J. & Goodstein, L. D. (1996) Measuring customer value: Gaining the strategic advantage. *Organizational Dynamics*, 24(3), pp. 63-77.
- Buzzell, R. D. & Gale, B. T. (1987) *The PIMS Principles: Linking strategy to performance*, New York, NY, The Free Press.
- Cadogan, J. W., Diamantopoulos, A. & Siguaw, J. A. (1998) Export Market-Oriented Behaviors, Their Antecedents, Performance Consequences and the Moderating Impact of the Export Environment: Evidence from the UK and US. IN Andersson, P. (Ed.) *27th EMAC Conference*. Stockholm, Marketing Research and Practice.

- Cadogan, J. W., Souchon, A. L. & Procter, D. B. (2007) The quality of market-oriented behaviors: Formative index construction. *Journal of Business Research*, 61, pp. 1263-1277.
- Calantone, R. & Knight, G. (2000) The Critical Role of Produce Quality in the International Performance of Industrial Firms. *Industrial Marketing Management*, 29, pp. 493-506.
- Cardozo, R. N. (1965) An experimental study of customer effort, expectation, and satisfaction. *Journal of Marketing Research*, 2, pp. 224-249.
- Carrillat, F. A., Jaramillo, F. & Locander, W. B. (2004) Market-driving organizations: a framework. *Academy of Management Science Review*, 4.
- Caruana, A. (2002) Service loyalty: The effects of service quality and the mediating role of customer satisfaction. *European Journal of Marketing*, 36(7/8), pp. 811.
- CFSC (2008) 2008 Malcolm Baldrige National Quality Award Application: Caterpillar Financial Services Corporation. *Malcolm Baldrige National Quality Award*. Gaithersburg, MD, National Institute of Standards and Technology, U.S. Department of Commerce.
- Chan, L.-K. & Wu, M.-L. (2002) Quality function deployment: A literature review. *European Journal of Operational Research*, 143(3), pp. 463-497.
- Chang, T.-Z. & Chen, S.-J. (1998) Market orientation, service quality and business profitability: a conceptual model and empirical evidence. *Journal of Services Marketing*, 12(4), pp. 246-264.
- Chase, R. B. & Garvin, D. A. (1989) The service factory. *Harvard Business Review*, 57(4), pp. 61-69.
- Chaudhuri, A. (2001) A study of emotion and reason in products and services. *Journal of Consumer Behaviour*, 1(3), pp. 267-279.
- Chaudhuri, A. & Holbrook, M. B. (2001) The chain of effects from brand trust and brand affect to brand performance: the role of brand loyalty. *Journal of Marketing*, 65(2), pp. 81-93.
- Christensen, C. & Bower, J. (1996) Customer power, strategic investment, and the failure of leading firms. *Strategic Management Journal*, 17(3), pp. 197-218.
- Christopher, M., Payne, A. & Ballantyne, D. (1991) *Relationship Marketing: Bringing Quality, Customer Service and Marketing Together*, Oxford, Butterworth-Heinemann.

- Christopher, M., Payne, A. & Ballantyne, D. (1995) Relationship Marketing: Bringing Quality, Customer Service and Marketing Together. *International Business Review*, 4(4), pp. 538-541.
- Chrusciel, D. & Field, D. D. W. (2003) From Critical Success Factors into Criteria for Performance Excellence – An Organizational Change Strategy. *Journal of Industrial Technology*, 19(4), pp. 1-11.
- Churchill, J., Gilbert A. & Peter, J. P. (1994) *Marketing: Creating Value for Customer*, New York, Irwin.
- Cigliano, J., Georgidis, M., Pleasance, D. & Whalley, S. (2000) The price of loyalty. *McKinsey Quarterly*, 2000(4), pp. 68-77.
- Clarke, M. & Payne, A. F. T. (1993) Customer retention: does employee retention hold the key to success. *Marketing education group conference*. Loughborough.
- Clough, P. & Nutbrown, C. (2002) *A student's guide to methodology*, London, Sage Publications Company.
- Cohen, L., Manion, L. & Morrison, K. (2000) *Research Methods in Education* London, RoutledgeFalmer.
- Cooper, R. G. (1984) New Product Strategies: What Distinguishes the Top Performers. *Journal of Product Innovation Management*, 1(June), pp. 151-164.
- Cran, D. J. (1994) Towards Validation of the Service Orientation Construct. *The Service Industries Journal*, 14(1), pp. 34-44.
- Craven, A. E., Scott, J. J. & Kiser, A. I. T. (2009) Reaffirming accreditation through application of Baldrige performance excellence criteria: a case study of a private, faith-based school of business. *International Journal of Management in Education*, 3(3-4), pp. 207-219.
- Creswell, J. W. (2003) *Research Design: Qualitative, Quantitative and Mixed Method approaches*, Thousand Oaks, California, Sage Publications Inc.
- Crosby, P. B. (1979) *Quality is Free: The Art of Making Quality Certain*, New York, McGraw Hill.
- Cross, M. E., Brasher, T. G., Rigdon, E., E. & Bellenger, D. N. (2007) Customer orientation and salesperson performance. *European Journal of Marketing*, 41(7/8), pp. 821-835.
- Curasi, C. F. & Kennedy, K. N. (2002) From prisoners to apostles: a typology of repeat buyers and loyal customers in service businesses. *Journal of Services Marketing*, 16(4), pp. 322-341.

- Danaher, P. J. & Haddrell, V. (1996) A comparison of question scales used for measuring customer satisfaction. *International Journal of Service Industry Management*, 7(4), pp. 4-26.
- Daniel, K. & Darby, D. N. (1997) A dual perspective of customer orientation: a modification, extension and application of the SOCO scale. *International Journal of Service*, 8(2), pp. 131-147.
- Davis, R. A. (2005) Linking Firm Performance to the Malcolm Baldrige National Quality Award Implementation Effort using Multi-attribute Utility Theory. *Managerial Finance*, 31(3), pp. 19-34.
- Davis, R. A. & Stading, G. L. (2005) Linking firm performance to the Malcolm Baldrige National Quality Award implementation effort using multiattribute utility theory. *Managerial Finance*, 31(3), pp. 19 - 34.
- Davis, S. M. & Dunn, M. (2002) *Building brand-driven business*, San Francisco, CA, Jossey-Bass.
- Day, G. S. (1994) The capabilities of market-driven organizations. *Journal of Marketing*, 58(4), pp. 37-52.
- Day, G. S. & Wensley, R. (1988) Assessing Advantage: A Framework for Diagnosing Competitive Superiority. *Journal of Marketing*, 52(April), pp. 1-20.
- de Chernatony, L. (2001) *From Brand Vision to Brand Evaluation: Strategically Building and Sustaining Brands*, Oxford, Butterworth-Heinemann.
- de Chernatony, L. & Riley, F. D. O. (1998) Modeling the components of the brand. *European Journal of Marketing*, 32(11/12), pp. 1074-1090.
- Dejong, D. J. (2009) Quality improvement using the Baldrige Criteria for Organizational Performance Excellence. *American Journal of Health-System Pharmacy*, 66(11), pp. 1031-1034.
- Deming, W. E. (1982) *Quality, Productivity and Competitive Position*, Cambridge, MA, MIT Centre for Advanced Engineering.
- Denzin, N. (2006) *Sociological methods: A sourcebook*, New Brunswick, NJ, Transaction Publishers.
- Denzin, N. & Lincoln, Y. (2003) *The landscape of qualitative research: Theories and issues*, London, Sage Publications, Inc.
- Deshpande, R. & Farley, J. (1999) Understanding market orientation: A prospectively designed meta-analysis of three market orientation scales. IN Deshpande, R. (Ed.) *Developing a Market Orientation*. Thousand Oaks, CA, Sage.

- Deshpande, R., Farley, J. & Webster, F. (1993) Corporate Culture, Customer Orientation, and Innovativeness in Japanese Firms: A Quadrad Analysis. *Journal of Marketing*, 57(1), pp. 23-37.
- Dick, A. S. & Basu, K. (1994) Customer Loyalty: Toward an Integrated Conceptual Framework. *Journal of Academy of Marketing Science*, 22(2), pp. 99-113.
- Donaldson, B. (1993) Customer driven organizations can smile. *Annual Conference of the Marketing Education Group*. Loughborough, Loughborough University Business School.
- Donovan, D. T., Brown, T. J. & Mowen, J. C. (2004) Internal benefits of service worker-customer orientation: job satisfaction, commitment, and organizational citizenship behaviors. *Journal of Marketing*, 68(1), pp. 128-146.
- Donthu, N. & Yoo, B. (1998) Cultural Influences on Service Quality Expectations. *Journal of Service Research*, 1(2), pp. 178-186.
- Dowling, G. R. & Uncles, M. (1997) Do Customer Loyalty Programs Really Work? *Sloan Management Review*, 38(4), pp. 71-82.
- Doyle, P. (1994) *Marketing Management and Strategy*, Hemel Hempstead, Prentice-Hall.
- Doyle, P. & Hooley, G. (1992) Strategic Orientation and Corporate Performance. *International Journal of Research in Marketing*, 9, pp. 59-73.
- Doyle, P. & Wong, V. (1996) An Empirical Study, in Marketing for an Expanding Europe. IN Beracs, J., Bauer, A. & Simon, J. (Eds.) *25th EMAC Conference*. Budapest, Hungary.
- Duarte, B. M., Michael, J. D. & Sheila, J. B. (2004) Can Tourism Providers Buy Their Customers' Loyalty? Examining the Influence of Customer-Provider Investments on Loyalty. *Journal of Travel Research*, 42(3), pp. 235.
- Dube, L. & Renaghan, L. M. (1999) Building customer loyalty - guest's perspectives on the lodging industry's functional best practices (part I). *Cornell Hotel and Restaurant Administration Quarterly*, 40(5), pp. 78-88.
- Duboff, R. S. & Sherer, L. U. (1997) Customized customer loyalty. *Marketing Management*, 6(2).
- Duffy, D. L. (1998) Customer loyalty strategies *Journal of Consumer Marketing* 15(5), pp. 435 - 448
- Edvardsson, B., Johnson, M. D., Gustafsson, A. & Strandvik, T. (2000) The effects of satisfaction and loyalty on profits and growth: products versus services. *Total Quality Management*, 11(7), pp. S917-S927.

- Ehrenberg, A. & Goodhardt, G. (2002) Double Jeopardy Revisited, Again. *Marketing Research*, 14(1).
- Ennew, C. T. & Binks, M. R. (1996) The impact of service quality and service characteristics on customer retention: small businesses and their banks in the UK. *British Journal of Management*, 7, pp. 219-230.
- Feldwick, P. (1996) What is brand equity anyway, and how do you measure it? *Journal of Market Research Society*, 38(2), pp. 85-104.
- Felton, A. P. (1959) Making the Marketing Concept Work. *Harvard Business Review*, 37(4), pp. 55-65.
- Fernie, J., Moore, C. M., Lawrie, A. & Hallsworth, A. (1997) The internationalization of the high fashion brand: The case of central London. *Journal of Product & Brand Management*, 6(3), pp. 151-162.
- Finn, M., Elliott-White, M. & Walton, M. (2002) *Tourism & Leisure Research Methods: Data Collection, Analysis and Interpretation*, Malaysia, Pearson Education.
- Flick, U. (2002) *An Introduction to Qualitative Research*, London, Sage Publications Ltd.
- Fornell, C. & Briger, W. (1987) Defensive Marketing Strategy by Customer Complaint Management. *Journal of Marketing Research*, 24, pp. 337-46.
- Fornell, C., Mithas, S., Morgeson III, F. V. & Krishnan, M. S. (2006) Customer Satisfaction and Stock Prices: High Returns, Low Risk. *Journal of Marketing*, 70(January), pp. 3-14.
- Fournier, S. (1998) Consumers and Their Brands: Developing Relationship Theory in Consumer Research. *Journal of Consumer Research*, 24(March), pp. 343-346.
- Fredericks, J. O., Hurd, R. R. & Slater II, J. M. (2001) Connecting customer loyalty to financial results. *Marketing Management*.
- Frosch, R. (1996) The customer for R&D is always wrong! *Research-Technology Management*, November-December, pp. 22-27.
- Fuentes-Fuentes, M. M., Albacete-Saez, C. A. & Llorens-Montes, F. J. (2004) The impact of environmental characteristics on TQM principles and organizational performance. *International Journal of Management Science*, 32, pp. 425-442.
- Ganesan, S. (1994) Determinants of long-term orientation in buyer-seller relationships. *Journal of Marketing*, 58(April), pp. 1-19.

- Ganesh, J., Arnoud, M. J. & Reynolds, K. E. (2000) Understanding the customer base of service providers: an examination of the differences between switchers and stayers. *Journal of Marketing*, 64(July), pp. 65-87.
- Garvin, D. A. (1988) *Managing Quality*, New York, The Free Press.
- Ghauri, P. & Grounhaug, K. (2002) *Research methods in business studies: A practical guide*, Harlow, UK, Financial Times & Prentice-Hall.
- Ghauri, P., Tarnovskaya, V. & Elg, U. (2008) Market driving multinationals and their global sourcing network. *International Marketing Review*, 25(5), pp. 504-519.
- Gilbert, G. R., Veloutsou, C., Goode, M. M. H. & Moutinho, L. (2004) Measuring customer satisfaction in the fast food industry: a cross-national approach. *The Journal of Services Marketing*, 18(4/5), pp. 371.
- Gill, J. & Johnson, P. (2002) *Research Methods for Managers*, London, Sage.
- Goodyear, M. (1996) Divided by a common language: diversity and deception in the world of global marketing. *Journal of Market Research Society*, 38(2), pp. 105-122.
- Gould, B. (1998) Notes of caution for relationship marketing. *The Antidote*, 3(5), pp. 25-26.
- Grant, R. M., Shani, R. & Krishnan, R. (1994) TQM's challenge to management theory and practice. *Sloan Management Review*, 35(2), pp. 25-35.
- Gray, B. J., Matear, S. & Matheson, P. (1998) Market Orientation and Performance: Implications for Managers in Developing Economies. IN Andersson, P. (Ed.) *27th EMAC Conference*. Stockholm.
- Greenley, G. E. (1995) Market Orientation and Company Performance: Empirical Evidence from UK Companies. *British Journal of Management*, 6, pp. 1-13.
- Gremler, D. D. & Brown, S. W. (1996) Service loyalty: its nature, importance and implications. IN Edvardsson, B., Brown, S. W., Johnston, R. & Scheuing, E. E. (Eds.) *Proceedings American Marketing Association*.
- Gremler, D. D. & Brown, S. W. (1999a) Customer loyalty, customer satisfaction. *Journal of Service Industry Management*, 10(3), pp. 271-94.
- Gremler, D. D. & Brown, S. W. (1999b) The loyalty ripple effect: Appreciating the full value of customers. *International Journal of Service Industry Management*, 10(3), pp. 271-291.
- Griffin, J. (1995) *Customer Loyalty: How to Earn it and How to Keep it*, New York, Lexington Books.

- Griffin, J. (1998) Customer loyalty: earning and keeping it. *Discount Merchandiser*, 38(3), pp. 98-100.
- Grisaffe, D. (2001) Loyalty - attitude, behavior, and good science: A third take on the Neal-Brandt debate. *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 14, pp. 55.
- Gronhaug, K. & Gilly, M. C. (1991) A Transaction Cost Approach to Consumer Dissatisfaction and Complaint Actions. *Journal of Economic Psychology*, 12, pp. 165-183.
- Gronholdt, L., Martensen, A. & Kirstensen, K. (2000) The relationship between customer satisfaction and loyalty: cross-industry differences. *Total Quality Management*, 11(4-6), pp. 509-14.
- Gronroos, C. (1978) A service-oriented approach to the marketing of services. *European Journal of Marketing*, 12, pp. 588-601.
- Gronroos, C. (1984) A Service Quality Model and Its Marketing Implications. *European Journal of Marketing*, 18(4), pp. 36-44.
- Gronroos, C. (1990) Relationship approach to marketing in service contexts: the marketing and organizational behaviour interface. *Journal of Business Research*, 20(January), pp. 3-11.
- Gronroos, C. (1991) Scandinavian Management and the Nordic School of Services-Contributions to Service Management and Quality. *International Journal of Service Industry Management*, 2(3), pp. 0.
- Gronroos, C. (2001) *Service Management and Marketing: A Customer Relationship Management Approach*, Chichester, Wiley.
- Gronroos, C. (2006) Adopting a service logic for marketing. *Marketing Theory*, 6(3), pp. 317-333.
- Gummesson, E. (1991a) Marketing-orientation revisited: The crucial role of the part-time marketer. *European Journal of Marketing*, 25(2), pp. 60-75.
- Gummesson, E. (1991b) Truths and myths in service quality. *International Journal of Service Industry Management*, 2(3), pp. 7-16.
- Gummesson, E. (2008) Customer centricity: reality or a wild goose chase? *European Business Review*, 20(4), pp. 315-330.
- Gwinner, K., Gremler, D. & Bitner, M. J. (1998) Relational Benefits in Service Industries: The Customer's Perspective. *Journal of Academy of Marketing Science*, 26(2), pp. 101-114.

- Hajjat, M. M. (2002) Customer orientation: construction and validation of the CUSTOR scale. *Marketing Intelligence & Planning*, 20(7), pp. 428-441.
- Hakim, C. (2000) *Research design: successful designs for social and economic research*, London, Routledge.
- Hall, D. (1992) *The Hallmarks for Successful Business*, London, Mercury Books.
- Hall, R. (1999) Customer-centric: from slogan to reality. *Bank Marketing*, February, pp. 12.
- Hallberg, G. (1995) *All Consumers Are Not Created Equal*, Chichester, John Wiley & Sons Co.
- Halliday, S. V. (2002) Barriers to customer-orientation. *European Journal of Marketing*, 36(1/2), pp. 136-158.
- Hallowell, R. (1996) The relationships of customer satisfaction, customer loyalty, and profitability: an empirical study *International Journal of Service Industry Management* 7(4), pp. 27 - 42
- Hamel, G. & Prashalad, C. K. (1994) *Competing for the future*, Boston, MA, Harvard Business School Press.
- Hankinson, P. (2001a) Brand orientation in the charity sector: A framework for discussion and research. *International Journal of Nonprofit and Voluntary Sector Marketing*, 6(3), pp. 231-242.
- Hankinson, P. (2001b) Brand orientation in the top 500 fundraising charities in the UK. *Journal of Product & Brand Management*, 10(6), pp. 346-360.
- Hardjono, T. & Marrewijk, M. v. (2001) The Social Dimensions of Business Excellence. *Corporate Environmental Strategy*, 8(3), pp. 223-233.
- Haron, M. S. (2002) Towards Marketing Excellence: An Empirical Study of Market Orientation in Malaysian Small and Medium Manufacturing Enterprises. PhD Thesis, European Centre for TQM, School of Management, University of Bradford.
- Harris, E. G., Mowen, J. C. & Brown, T. J. (2005) Re-examining salesperson goal orientations: personality influencers, customer orientation, and work satisfaction. *Journal of Academy of Marketing Science*, 33(1), pp. 19-35.
- Hart, C., Heskett, J. & Sasser, W. E. J. (1990) The Profitable Art of Service Recovery. *Harvard Business Review*, 68, pp. 148-156.
- Hart, C. & Johnson, M. D. (1999) Growing the Trust Relationship. *Marketing Management*, 8(1), pp. 8-19.

- Hayes, R. & Wheelwright, S. (1984) *Restoring our Competitive Edge: Competing through Manufacturing*, New York, NY, Wiley.
- Heartline, M. D., Maxham, J. G. I. & McKee, D. O. (2000) Corridors of influence in the dissemination of customer-orientation strategy to customer contact service employees. *Journal of Marketing*, 64(2), pp. 35-50.
- Helman, D. & de Chernatony, L. (1999) Exploring the development of the lifestyle retail brands. *The Service Industries Journal*, 19(2), pp. 49-68.
- Henning-Thurau, T. (2004) Customer orientation of service employees. *International Journal of Service Industry Management*, 15(5), pp. 2004.
- Henning-Thurau, T., Gwinner, K. P. & Gremler, D. D. (2002) Understanding relationship marketing outcomes: an integration of relational benefits and relationship quality. *Journal of Service Research*, 4(February), pp. 230-247.
- Herriott, R. E. & Firestone, W. A. (1983) Multisite qualitative policy research: Optimizing description and generalizability. *Educational Researcher*, 12, pp. 14-19.
- Heskett, J. L. (2002) Beyond customer loyalty *Managing Service Quality* 12(6), pp. 355 - 357
- Heskett, J. L., Jones, T. O., Loveman, G. W., Sasser, W. E. J. & Schlesinger, L. A. (1994) Putting the service-profit chain to work. *Harvard Business Review*, 72(2), pp. 164.
- Heskett, J. L., Sasser, W. E. J. & Schlesinger, L. A. (1997a) *The Service Profit Chain*, New York, N.Y., Free Press.
- Heskett, J. L., Sasser, W. E. J. & Schlesinger, L. A. (1997b) *The Service Profit Chain* New York, N.Y., Free Press.
- Hill, B. & Green, B. C. (2000) Repeat attendance as a function of involvement, loyalty, and the sportscape across three football contexts. *Sport Management Review*, 3(2), pp. 145-162.
- Hoffman, K. D. & Ingram, T. N. (1991) Creating customer-oriented employees: the case in home health care. *Journal of Health Care Marketing*, 11(2), pp. 24-32.
- Hogan, J., Hogan, R. & Busch, C. M. (1984) How to measure service orientation. *Journal of Applied Psychology*, 69(1), pp. 167-173.
- Hogan, R. & Hogan, J. (1990) *Hogan personality inventory interpretive manual*, Tulsa, OK, Hogan Assessment Systems.

- Hoisington, S. & Naumann, E. (2003) The loyalty elephant. *Quality Progress*, 36(2), pp. 33.
- Homburg, C., Hoyer, W. D. & Fassnacht, M. (2002) Service orientation of a retailers' business strategy: Dimensions, antecedents and performance outcomes. *Journal of Marketing*, 66, pp. 86-101.
- Homburg, C., Koschate, N. & Hoyer, W. D. (2006) The role of cognition and affect in the formation of customer satisfaction: A dynamic perspective. *Journal of Marketing*, 70(July), pp. 21-31.
- Honeycutt, E. D., Siguaw, J. A. & Hunt, T. G. (1995) Business ethics and job-related construct: a cross-cultural comparison of automotive salespeople. *Journal of Business Ethics*, 14, pp. 235-248.
- Hooley, G., Cox, T., Fahy, J., Shipley, D., Beracs, J., Fonfara, K. & Snoj, B. (2000) Market orientation in the Transition Economies of Central Europe: Tests of the Narver and Slater Market Orientation Scales. *Journal of Business Research*, 50, pp. 273-285.
- Houston, F. S. (1986) The Marketing Concept: What It Is and What It is Not. *Journal of Marketing*, 50(April), pp. 81-7.
- Howe, V., Hoffman, K. D. & Hardigree, D. W. (1994) The relationship between ethical and customer-oriented service provider behaviors. *Journal of Business Ethics*, 13, pp. 497-506.
- Huang, H. J. & Dastmalchian, A. (2006) Implications for trust and distrust for organizations: Role of customer orientation in a four-nation study. *Personnel Review*, 35(4), pp. 361-377.
- Hunt, S. D. & Morgan, R. M. (1995) The Comparative Advantage Theory of Competition. *Journal of Marketing*, 57, pp. 53-70.
- Huq, Z. & Stolen, J. (1998) Total quality management contrasts in manufacturing and service industries. *International Journal of Quality & Reliability Management*, 15(2), pp. 138-161.
- Hussain, Z., Wallace, J., Tassabehji, R. & Khan, O. (2007) E-business in the developing world: An empirical study of payment methods and their implications. *International Journal of Electronic Business*, 5(3), pp. 315-335.
- Idris, M. A. (2000) TQM and Market Orientation: An Empirical Study of the Relationship between TQM and Market Orientation in Delivering Sustainable Performance for Malaysian Companies. PhD Thesis, School of Management, University of Bradford.

- Islam, R. (2007) MBNQA criteria in education: assigning weights from a Malaysian perspective and proposition for an alternative evaluation scheme. *International transactions in operational research*, 14, pp. 373-394.
- Jacoby, J. & Chestnut, R. W. (1978) *Brand Loyalty: Measurement and Management*, New York, John Wiley & Sons Inc.
- Jacoby, J. & Kryner, D. B. (1973) Brand loyalty vs. repeat purchasing behavior. *Journal of Marketing Research*, February, pp. 1-9.
- Jaiswal, A. K. (2008) Customer satisfaction and service quality measurement in Indian call centers. *Managing Service Quality*, 18(4), pp. 405-416.
- Javalgi, R. G. & Moberg, C. R. (1997) Service loyalty: implications for service providers. *The Journal of Services Marketing*, 11(3), pp. 165-179.
- Jaworski, B. J. & Kohli, A. K. (1993) Market Orientation: Antecedents and Consequences. *Journal of Marketing*, 57, pp. 53-70.
- Jaworski, B. J. & Kohli, A. K. (1996) Market Orientation: Review, Refinement and Roadmap. *Journal of Market Focused Management*, 1, pp. 119-135.
- Jaworski, B. J., Kohli, A. K. & Sahay, A. (2000) Market-driven versus driving markets. *Journal of Academy of Marketing Science*, 28(1), pp. 45-54.
- Jeong, J. S. & Hong, P. (2007) Customer orientation and performance outcomes in supply chain management. *Journal of Enterprise Information Management*, 20(5), pp. 578-594.
- Johnson, L. K. (2005) The New Loyalty: Make it work for your company. *Harvard Management Update*.
- Jones, E., Busch, P. & Dacin, P. (2003) Firm market orientation and sales person customer orientation: Interpersonal and intrapersonal influences on customer service and retention in business-to-business buyer-seller relationships. *Journal of Business Research*, 56, pp. 323-340.
- Jones, T. O. & Sasser, W. E. J. (1995) Why Satisfied Customers Defect. *Harvard Business Review*, 73, pp. 88-99.
- Joshi, A. W. & Randall, S. (2001) The indirect effects of organizational controls on salesperson performance and customer-orientation. *Journal of Business Research*, 54, pp. 1-9.
- Judd, V. C. (2003) Achieving a customer orientation using "people-power," the "5th P". *European Journal of Marketing*, 37(10), pp. 1301-1313.
- Juran, J. M. (1951) *Quality Control Handbook*, New York, McGraw Hill.

- Juran, J. M. (1992) *Juran on Quality by Design*, New York, The Free Press.
- Kandampully, J. (1998) Service quality to service loyalty: A relationship which goes beyond customer services. *Total Quality Management*, 9(6), pp. 431-443.
- Karvinen, K. & Bennet, D. (2006) Enhancing performance through the introduction of customer orientation into the building components industry. *International Journal of Productivity*, 55(5), pp. 400-422.
- Keh, H. T. & Lee, Y. H. (2006) Do reward programs build loyalty for services? The moderating effect of satisfaction on type and timing of rewards. *Journal of Retailing*, 82(2), pp. 127-136.
- Keller, K. L. (2000) The brand report card. *Harvard Business Review*, 78(1), pp. 147-157.
- Kelley, S. W. (1992) Developing customer orientation among service employees. *Journal of Academy of Marketing Science*, 20, pp. 27-36.
- Khan, O. (2004a) Information systems in advertising. *International Workshop on Frontiers of Information Technology*. Islamabad, Pakistan, University of Illinois, Perdue University, and National Science Foundation.
- Khan, O. (2004b) The power of group buying business model in the developing world. *8th South Asian Management Forum 2004*. Lahore, Pakistan, Association of Management Development Institutions in South Asia.
- Khan, O. (2005) Consumer's attitude towards using cash on delivery as an alternative online payment method in the developing world. *Institute of Behavioral and Applied Management (IBAM) Conference*. Las Vegas, USA, Institute of Behavioral and Applied Management.
- Khan, O. (2009a) CEM implementation: The key factors. IN ZAIRI, M. (Ed.) *Emotionally attached: Wooing and taking vows with customers*. Bradford, European Centre for Best Practice Management.
- Khan, O. (2009b) CEM: The 'right brain' of customer focus. IN ZAIRI, M. (Ed.) *Emotionally attached: Wooing and taking vows with customers*. Bradford, European Centre for Best Practice Management.
- Khan, O. (2009c) How to woo and create an emotional attachment: Lessons from the best. IN ZAIRI, M. (Ed.) *Emotionally attached: Wooing and taking vows with customers*. Bradford, European Centre for Best Practice Management.
- Khan, O. (2009d) The continuum of capability building leadership emphasis on business orientations. IN Zairi, M. (Ed.) *Excellence Tetralogy: Gutsy Leadership*. Bradford, European Centre for Best Practice Management.

- Khan, O. (2009e) The customer experience approach: A contemporary view of customer loyalty. IN Zairi, M. (Ed.) Excellence Tetralogy: The Inspired Customer. Bradford, European Center for Best Practice Management.
- Khan, O. (2009f) The customer experience approach: Managing loyalty in its totality. IN Zairi, M. (Ed.) Excellence Tetralogy: The Inspired Customer. Bradford, European Center for Best Practice Management.
- Khan, O. (2009g) The customer experience approach: The behavioural dimensions of loyalty. IN Zairi, M. (Ed.) Excellence Tetralogy: The Inspired Customer. Bradford, European Center for Best Practice Management.
- Khan, O. & Hussain, Z. (2006) E-business in the developing world: Cash on delivery as an alternative online payment method. *British Academy of Management Conference*. Belfast, UK.
- Khatibi, A. A., Ismail, H. & Thyagarajan, V. (2002) What drives customer loyalty: An analysis from the telecommunications industry. *Journal of Targeting, Measurement and Analysis for Marketing*, 11(1), pp. 34.
- Kim, W. G. & Cha, Y. (2002) Antecedents and consequences of relationship quality in hotel industry. *Hospitality Management*, 21, pp. 321-338.
- King, S. (1991) Brand-Building in the 1990s. *Journal of Consumer Marketing*, 8(4), pp. 43-51.
- Klaus, P. G. (1985) Quality Epiphenomenon: The Conceptual Understanding of Quality in Face-to-Face Service Encounters. IN Czepiel, J. A., Solomon, M. R. & Surprenant, C. F. (Eds.) *The Service Encounter: Managing Employee/Customer Interaction in Service Business*. Lexington, MA, D.C. Heath/Lexington Books.
- Knight, D. K., Kim, H.-J. & Cruisinger, C. (2007) Examining the effects of role stress on customer orientation and job performance of retail salespeople. *International Journal of Retail & Distribution Management*, 35(5), pp. 381-392.
- Knox, S. (1998) Loyalty-Based Segmentation and Customer Development Process. *European Management Journal*, 16(6), pp. 729-737.
- Knox, S. & Walker, D. (2001) Measuring and Managing Brand Loyalty. *Journal of Strategic Marketing*, 9(2), pp. 111-128.
- Kohli, A. K. & Jaworski, B. J. (1990) Market orientation: the construct, research propositions, and managerial implications. *Journal of Marketing*, 54(2), pp. 1-18.
- Kohli, A. K., Jaworski, B. J. & Kumar, A. (1993) MARKOR: A Measure of Market Orientation. *Journal of Marketing*, 30(November), pp. 467-477.

- Kotler, P. & Andreasen, A. R. (1996) *Strategic Marketing for Nonprofit Organizations*, Upper Saddle, NJ, Prentice-Hall.
- Kruger, V. (1998) Total quality management and its humanistic orientation towards organisational analysis. *The TQM Magazine*, 10(4), pp. 293-301.
- Kuhn, T. S. (1970) *The Structure of Scientific Revolutions*, Chicago, University of Chicago Press.
- Kumar, A., Olshavsky, R. W. & King, M. F. (2001) Exploring alternative antecedents of customer delight. *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 14, pp. 14.
- Kumar, N. (1997) The revolution in retailing: from market driven to market driving. *Long Range Planning*, 30(6), pp. 830-835.
- Kumar, N., Scheer, L. & Kotler, P. (2000) From market driven to market driving. *European Management Journal*, 18(2), pp. 129-142.
- Kumar, V. & Shah, D. (2004) Building and sustaining profitable customer loyalty for the 21st century. *Journal of Retailing*, 80(4), pp. 317-330.
- Ladkin, A. (1999) Life and work history analysis: the value of this research method for hospitality and tourism. *Tourism Management*, 20(1), pp. 37-45.
- Lai, K.-H. (2003) Market orientation in quality-oriented organizations and its impact on their performance. *International Journal of Production Economics*, 84(1), pp. 17-34.
- Lai, K.-h. & Cheng, T. C. E. (2005) Effects of quality on management and marketing on organizational performance. *Journal of Business Research*, 58, pp. 446-456.
- Landrum, H. & Prybutok, V. R. (2004) A service quality and success model for the information service industry. *European Journal of Operational Research*, 156(3), pp. 628.
- Lau, R. S. M., Zhao, X. & Xiao, M. (2004) Assessing quality management in China with MBNQA criteria. *International Journal of Quality & Reliability Management*, 21(7), pp. 699-713.
- Lawler, E. E. I., Mohrman, S. A. & Ledford, G. E. (1992) *Employee involvement and total quality management*, San Francisco, CA, Jossey-Bass.
- Lee, J., Park, S. Y., Baek, I. & Lee, C.-S. (2008) The impact of the brand management system on brand performance in B-B and B-C environments. *Industrial Marketing Management*, 37.

- Lee, M. & Cunningham, L. F. (2001) A cost/benefit approach to understanding service loyalty. *Journal of Services Marketing*, 15(2), pp. 113-130.
- Lee, S.-C., Barker, S. & Kandampully, J. (2003a) Technology, service quality, and customer loyalty in hotels: Australian managerial perspectives. *Managing Service Quality*, 13(5), pp. 423-432.
- Lee, S. M., Rho, B.-H. & Lee, S.-G. (2003b) Impact of Malcolm Baldrige National Quality Award Criteria on organizational quality performance *International Journal of Production Research*, 41(9), pp. 2003 - 2020.
- Lehr, L. (1980) How 3M develops entrepreneurial spirit throughout the organization. *Management Review*, 69(10), pp. 32.
- Lengnick-Hall, C. A. (1996) Customer contributions to quality: A different view of the customer-oriented firm. *Academy of Management Review*, 21(3), pp. 791-824.
- Leonard-Barton, D. (1995) *Wellsprings of Knowledge*, Boston, MA, Harvard Business School Press.
- Leonard, D. (2006) The impact of Baldrige on corporate financial & non-financial performance. *18th ASQ Quality Management Division Conference*. Irvine, CA.
- Levitt, T. (1960) Marketing Myopia. *Harvard Business Review*, July/Aug, pp. 3-13.
- Lexus (2005) 2005 Malcolm Baldrige National Quality Award Application: Park Place Lexus. *Malcolm Baldrige National Quality Award*. Gaithersburg, MD, National Institute of Standards and Technology, U.S. Department of Commerce.
- Liljander, V. (2000) The Importance of Internal Relationship Marketing for External Relationship Success. IN Hennig-Thurau, T. & Hansen, U. (Eds.) *Relationship Marketing: Gaining Competitive Advantage and Consumer Satisfaction and Customer Retention*. Berlin, Springer.
- Liljander, V. & Strandvik, T. (1995) The Nature of Customer Relationships in Services. *Advances in Services Marketing and Management*, 4, pp. 141-167.
- Liljander, V. & Strandvik, T. (1997) Emotions in service satisfaction. *International Journal of Service Industry Management*, 8(2), pp. 148-169.
- Lin, H.-H. & Wang, Y.-S. (2006) An examination of the determinants of customer loyalty in mobile commerce contexts. *Information and Management*, 43, pp. 271-282.
- Lindberg-Repo, K. (1999a) *Word-of-mouth communication in the hospitality industry*, Helsinki, Swedish School of Economics and Business Administration.

- Lindberg-Repo, K. (1999b) Word-of-mouth communication in the hospitality industry. Helsinki, Swedish School of Economics and Business Administration.
- Liu, A. H. (2006) Customer value and switching costs in business services: developing exit barriers through strategic value management. *Journal of Business &*, 21(1).
- Liu, Y. (2007) The Long-Term Impact of Loyalty Programs on Consumer Purchase Behavior and Loyalty. *Journal of Marketing*, 71(October), pp. 19-35.
- Lonial, S., Tarim, M., Tatoglu, E., Zaim, S. & Zaim, H. (2008) The impact of market orientation on NSD and financial performance of hospital industry. *Industrial Management & Data Systems*, 108(6), pp. 794-811.
- Loveman, G. W. (1998a) Employee satisfaction, customer loyalty, and financial performance: An empirical examination of the service profit chain in retail banking. *Journal of Service Research*, 1(1), pp. 18-31.
- Loveman, G. W. (1998b) Employee Satisfaction, Customer Loyalty, and Financial Performance: An Empirical Examination of the Service Profit Chain in Retail Banking. *Journal of Service Research*, 1(1), pp. 18-31.
- Low, G. S. & Fullerton, R. A. (1994) Brands, brand management, and the brand manager system: A critical-historical evaluation. *Journal of Marketing Research*, 31(2), pp. 173-190.
- Lozano, A. R. P. (2000) A customer orientation checklist: a model. *Library Review*, 4, pp. 173-178.
- Lusch, R. F. & Vargo, S. L. (2006) Service-dominant logic: reactions, reflections and refinements. *Marketing Theory*, 6(3), pp. 281-288.
- Lynn, G., Morone, J. & Paulson, A. (1996) Marketing and discontinuous innovation: The probe and learn process. *California Management Review*, 38(3), pp. 8-37.
- Lynn, M. L., Lytle, R. S. & Bobek, S. (2000) Service orientation in transitional markets: does it matter? *European Journal of Marketing*, 34(3/4), pp. 279-298.
- Lytle, R. S., Hom, P. W. & Mokwa, M. P. (1998) SERV*OR: a managerial measure of organizational service orientation. *Journal of Retailing*, 74(4), pp. 455-489.
- MacDonald, S. (1995) Too close for comfort: The strategic implications of getting close to the customer. *California Management Review*, 37(4), pp. 8-27.
- Macintosh, G. (2007) Customer orientation, relationship quality, and relational benefits to the firm. *Journal of Services Marketing*, 21(3), pp. 150-159.

- Magi, A. W. (2003) Share of wallet in retailing: the effects of customer satisfaction, loyalty cards and shopper characteristics. *Journal of Retailing*, 79(2), pp. 97-106.
- Mano, H. & Oliver, R. L. (1993) Assessing the Dimensionality and Structure of the Consumption Experience: Evaluation, Feeling, and Satisfaction. *Journal of Consumer Research*, 20(3), pp. 451-466.
- Mattila, A. S. (1999) The Role of Culture in the Service Evaluation Process. *Journal of Service Research*, 1(3), pp. 250-261.
- Mattila, A. S. (2001a) Emotional bonding and restaurant loyalty. *Cornell Hotel and Restaurant Administration Quarterly*, 42(6), pp. 73-79.
- Mattila, A. S. (2001b) The impact of relationship type on customer loyalty in a context of service failures. *Journal of Service Research*, 4(2), pp. 91-101.
- Mattila, A. S. & Enz, C. A. (2002) The Role of Emotions in Service Encounters. *Journal of Service Research*, 4(4), pp. 268-277.
- Mattila, A. S. & Patterson, P. G. (2004a) The impact of culture on consumers' perceptions of service recovery efforts. *Journal of Retailing*, 80(3), pp. 196-206.
- Mattila, A. S. & Patterson, P. G. (2004b) The impact of culture on consumers' perceptions of service recovery efforts. *Journal of Retailing*, 80, pp. 196-206.
- McEnally, M. & de Chernatony, L. (1999) The evolving nature of branding: Consumer and managerial considerations. *Academy of Marketing Science Review*, 99(2), pp. 1-38.
- McGee, L. W. & Spiro, R. L. (1988) The marketing concept in perspective. *Business Horizons*, May-June, pp. 40-45.
- McMullan, R. (2005) A multiple-item scale for measuring customer loyalty development. *Journal of Services Marketing*, 19(7), pp. 470-481.
- Merrilees, B. & Miller, D. (2001a) Innovation and strategy in the Australian supermarket industry. *Journal of Food Products Marketing*, 7(4), pp. 3-18.
- Merrilees, B. & Miller, D. (2001b) Radical service innovations. *International Journal of New Product Development and Innovation Management*, 3(1), pp. 45-58.
- Millar, R. M. G. (1987) in foreword to. IN Cullen, J. & Hollingham, J. (Eds.) *Implementing Total Quality*. Bedford, IFS Publications.
- Miller, B. W. (1992) It's a kind of magic. *Managing Service Quality*, 2(4), pp. 191-193.
- Mills, P. K., Chase, R. B. & Margulies, N. (1983) Motivating the client/employee system as a service production strategy. *Academy of Management Review*, 8, pp. 301-310.

- Mittal, B. & Lassar, W. M. (1998) Why do customers switch? The dynamics of satisfaction versus loyalty. *The Journal of Services Marketing*, 12(3), pp. 177-194.
- Mohr-Jackson, I. (1998a) Conceptualizing total quality orientation. *European Journal of Marketing*, 32(1/2), pp. 13-22.
- Mohr-Jackson, I. (1998b) Managing a Total Quality Orientation: Factors affecting customer satisfaction. *Industrial Marketing Management*, 27, pp. 109-125.
- Money, R. & Gilly, M. (1998) Explorations of National Culture and Word-of-Mouth Referral Behavior in the Purchase of Industrial services in the United States and Japan. *Journal of marketing*, 62(4), pp. 76-87.
- Morgan, R. & Hunt, S. (1994) The Commitment—Trust Theory of Relationship Marketing. *Journal of Marketing*, 58, pp. 20-38.
- Morone, J. (1993) *Winning in High-Tech Markets*, Boston, MA, Harvard Business School Press.
- Morse, J. (2003) Principles of Mixed Methods and Multimethod Research Design. IN Tashakkori, A. & Teddlie, C. (Eds.) *Handbook of mixed methods in social & behavioral research*. London, Sage Publications, Inc.
- Mullin, B. J., Hardy, S. & Sutton, W. (2000) *Sport Marketing*, Human Kinetics.
- Nachmias, C. F. & Nachmias, D. (1996) *Research methods in the social sciences*, New York, NY, Worth.
- Narver, J. C. & Slater, S. F. (1990) The Effect of a Market Orientation on Business Performance. *Journal of Marketing*, 54(4), pp. 20-35.
- Neal, W. D. (1999) Satisfaction is nice but value drives loyalty. *Marketing Research*, 11(2), pp. 21-24.
- Newell, F. (1997) *The new rules of marketing: How to use one-to-one relationship marketing to be the leader in your industry*, New York, N.Y., McGraw-Hill.
- NIST (2008) Malcolm Baldrige National Quality Award 2008 Award Recipient, Healthcare: Poudre Valley Health System. National Institute of Standards and Technology, [Online] Available at http://www.nist.gov/public_affairs/releases/poudre_profile.html, [Accessed on April 25, 2009]
- NIST (2009) Frequently Asked Questions about the Malcolm Baldrige National Quality Award. Gaithersburg, MD, Baldrige National Quality Program, [Online] Available at http://www.nist.gov/public_affairs/factsheet/baldfaqs.htm, [Accessed on August 25, 2009]

- Noble, C. H., Sinha, R. K. & Kumar, A. (2002) Market orientation and alternative strategic orientations: a longitudinal assessment of performance implications. *Journal of Marketing*, 66(4), pp. 25-39.
- Nwankwo, S. (1995) Developing a customer orientation. *Journal of Consumer Marketing*, 12(5), pp. 5-15.
- O'Brien, L. & Jones, C. (1995) Do Rewards Really Create Loyalty? *Harvard Business Review*, 73(3), pp. 75-82.
- O'Hara, B. S., Boles, J. S. & Johnson, M. W. (1991) The influence of personal variables on salesperson selling orientation. *Journal of Personal Selling and Sales Management*, 11(1), pp. 61-67.
- O'Neal, C. R. & LaFief, W. C. (1992) Marketing's lead role in total quality. *Industrial Marketing Management*, 4, pp. 133-143.
- Oh, H. & Shin, B.-Y. K. a. J.-H. (2004) Hospitality and tourism marketing: recent developments in research and future directions. *International Journal of Hospitality Management*, 23(5), pp. 425.
- Oliver, R. L. (1980) A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of Marketing Research*, 17(November), pp. 460-469.
- Oliver, R. L. (1999) Whence consumer loyalty. *Journal of Marketing*, 63(special issue), pp. 33-44.
- Palmer, A., McMahan-Beattie, U. & Beggs, R. (2000) A structural analysis of hotel sector loyalty programmes. *International Journal of Contemporary Hospitality Management*, 12(1), pp. 54-60.
- Parasuraman, A., Zeithaml, V. A. & Berry, L. L. (1988) Servqual: A Multiple-Item Scale For Measuring Consumer Perceptions of Service Quality. *Journal of Retailing*, 64(1), pp. 12.
- Parasuraman, A., Zeithaml, V. A. & Berry, L. L. (1994) Alternative scales for measuring service quality: A comparative assessment based on psychometric and diagnostic criteria. *Journal of Retailing*, 70(3), pp. 201.
- Patterson, P. G., Cowley, E. & Prasongsukarn, K. (2006) Service failure recovery: The moderating impact of individual-level cultural value orientation on perception of justice. *International Journal of Research in Marketing*, 23(3), pp. 263-277.
- Patterson, P. G., Johnson, L. W. & Spreng, R. A. (1997) Modeling the determinants of customer satisfaction for business-to-business professional services. *Journal of American Academy of Marketing Science*, 25(1), pp. 4-17.

- Patterson, P. G. & Mattila, A. S. (2008) An examination of the impact of cultural orientation and familiarity in service encounter evaluations. *International Journal of Service*, 19(5), pp. 662-681.
- Patterson, P. G. & Smith, T. (2001) Modeling relationship strength across service types in an Eastern culture. *International Journal of Service Industry Management*, 12(2), pp. 90-113.
- Patterson, P. G. & Smith, T. (2003) A cross-cultural study of switching barriers and propensity to stay with service providers. *Journal of Retailing*, 70, pp. 107-120.
- Peck, H. (1997) Towards a Framework of Relationship marketing: A research methodology. Cranfield School of Management.
- Pelham, A. M. & Wilson, D. T. (1996) A Longitudinal Study of the Impact of Market Structure, Firm Structure, Strategy, and Market Orientation Culture on Dimensions of Small-Firm Performance. *Journal of Academy of Marketing Science*, 24(1), pp. 27-43.
- Peppers, D. & Rogers, M. (1993) *The one to one future: Building relationships one customer at a time*, New York, N.Y., Doubleday.
- Perreault, W. & McCarthy, J. (1997) *Essentials of Marketing*, Chicago, IL, Irwin.
- Perrotta, P. (2002) Retailers fine-tune loyalty. *Supermarket News*, 50(5), pp. 17.
- Pessemier, E. A. (1959) A New Way to Determine Buying Decisions. *Journal of Marketing*, 24(October), pp. 41-46.
- Peters, T. (1988a) *Thriving in Chaos*, New York, NY.
- Peters, T. J. (1988b) *Thriving on chaos: Handbook for a management revolution*, New York, NY, Harper Collins.
- Peters, T. J. & Austin, N. (1985) *A Passion for Excellence*, New York, Random House, Inc.
- Peters, T. J. & Waterman, R. H. (1982) *In Search for Excellence: Lessons from America's Best-Run Companies*, Cambridge, MA, Harper & Row Publishers.
- Phillips, L. W., Chang, D. R. & Buzzell, R. D. (1983) Product Quality, Cost Position, and Business Performances: A Test of Some Key Hypothesis. *Journal of Marketing*, 47, pp. 26-43.
- Plutchik, R. (1980) Emotion: A Psychoevolutionary Synthesis. *Journal of Retailing*, 73(Fall), pp. 311-336.
- Porter, M. (1980) *Competitive Strategy*, New York, The Free Press.

- Porter, M. (1985) *Competitive Advantage, Creating and Sustaining Superior Performance*, New York, NY, The Free Press.
- Poudre Valley Health System (2008) 2008 Malcolm Baldrige National Quality Award Application: POUDRE VALLEY HEALTH SYSTEM. *Malcolm Baldrige National Quality Award*. Gaithersburg, MD, National Institute of Standards and Technology, U.S. Department of Commerce.
- PPL (2005) Park Place Lexus Application Summary. *Malcolm Baldrige National Quality Award*. Gaithersburg, MD, National Institute of Standards and Technology, U.S. Department of Commerce.
- Premier (2006) Premier Inc. Application Summary. *Malcolm Baldrige National Quality Award*. Gaithersburg, MD, National Institute of Standards and Technology, U.S. Department of Commerce.
- Premier Inc. (2006) 2006 Malcolm Baldrige National Quality Award Winner: Premier Inc. *Malcolm Baldrige National Quality Award*. Gaithersburg, MD, National Institute of Standards and Technology, U.S. Department of Commerce.
- Price, L. L., Arnould, E. J. & Deibler, S. L. (1995) Consumers' emotional responses to service encounters: the influence of the service provider. *International Journal of Service Industry Management*, 6(3), pp. 34-63.
- PRO-TEC (2007) 2007 Malcolm Baldrige National Quality Award Application: PRO-TEC Coating Company. *Malcolm Baldrige National Quality Award*. Gaithersburg, MD, National Institute of Standards and Technology, U.S. Department of Commerce.
- Prybutok, V. R., Zhang, X. & Ryan, S. D. (2008) Evaluating leadership, IT quality, and net benefits in an e-government environment. *Information & Management*, 45(3), pp. 143-152.
- Przasnyski, Z. H. & Tai, L. S. (2002) Stock performance of Malcolm Baldrige National Quality Award winning companies. *Total Quality Management & Business Excellence*, 13(4), pp. 475-488.
- PVHS (2008) Poudre Valley Health System Profile. *Malcolm Baldrige National Quality Award*. Gaithersburg, MD, National Institute of Standards and Technology, U.S. Department of Commerce.
- Quazi, H. A., Jemangin, J., Wai, L., Chin, K. & Kian, L. (1998) Critical factors in quality management and guidelines for self-assessment: The case of Singapore *Total Quality Management*, 9(1), pp. 35-55.
- Reichheld, F. (1996) *The Loyalty Effect*, Boston, MA, Harvard Business School Press.

- Reichheld, F. (2001) Lead for Loyalty. *Harvard Business Review*, (July-August), pp. 76-84.
- Reichheld, F. (2003) The one number you need to grow. *Harvard Business Review*, 82(6), pp. 46-54.
- Reichheld, F. & Kenny, D. (1990) The hidden advantages of customer retention. *Journal of Retail Banking*, 12(4).
- Reichheld, F. & Sasser, W. E. J. (1990) Zero defections: quality comes to services. *Harvard Business Review*, 68(5), pp. 105-111.
- Reichheld, K. (2002) Letters to the editor. *Harvard Business Review*.
- Reinartz, W. & Kumar, V. (2002) The Mismanagement of Customer Loyalty. *Harvard Business Review*, 80(7), pp. 86.
- Rist, R. C. (1984) On the application of qualitative research to the policy process: an emergent linkage. IN Barton, L. & Walker, S. (Eds.) *Social Crisis and Educational Research*. London, Croom Helm.
- Roberts, K. (2004) Love in the desert Being trusted and respected is not enough for US brands in the Middle East. They need to create an emotional link. *Financial Times*. London, UK.
- Rönnbäck, Å. & Witell, L. (2008) A review of empirical investigations comparing quality initiatives in manufacturing and service organizations. *Managing Service Quality*, 18(6), pp. 577-593.
- Rowley, J. (2002) Using Case Studies in Research. *Management Research News*, 25(1), pp. 16-27.
- Ruekert, R. (1992) Developing a market orientation: an organisational strategy perspective. *International Journal of Marketing*, 9, pp. 225-245.
- Rundle-Thiele, S. (2005) Elaborating customer loyalty: exploring loyalty to wine retailers. *Journal of Retailing and Consumer Services*, 12(5), pp. 333.
- Rust, R. T. & Zahorik, A. J. (1993) Customer satisfaction, customer retention and market share. *Journal of Retailing*, 69, pp. 193.
- Ruyter, K. d., Wetzels, M. & Bloemer, J. (1998) On the relationship between perceived service quality, service loyalty and switching costs. *International Journal of Service Industry Management*, 9(5), pp. 436-453.
- Salgaonkar, P. B. & Mekoth, N. (2004) Patient as a source of recommendation and its influence on another patient's loyalty to the physician: An exploratory empirical

- study. *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 17, pp. 16.
- Salvaggio, A., Schneider, B., Nishii, L., Mayer, D., Ramesh, A. & Lyon, J. S. (2007) Manager personality, manager service quality orientation, and service climate: test of a model. *Journal of Applied Psychology*, 92(6), pp. 1741-1750.
- Saura, I. G., Contri, G. B., Taulet, A. C. & Velazquez, B. M. (2005) Relationships among customer orientation, service orientation and job satisfaction in financial services. *International Journal of Service Industry Management*, 16(5), pp. 497-525.
- Saxe, R. & Weitz, B. A. (1982) The SOCO scale: a measure of the customer orientation of salespeople. *Journal of Marketing Research*, 19(August), pp. 343-351.
- Schneider, B. & Bowen, D. E. (1985) Employee and customer perceptions of service in banks: Republication and Extension. *Journal of Applied Psychology*, 70, pp. 423-433.
- Schneider, B., Parkington, J. J. & Buxton, V. M. (1980) Employee and customer perceptions of service in banks. *Administrative Science Quarterly*, 25, pp. 252-267.
- Schneider, B. & Schechter, D. (1991) Development of a Personnel Selection System for Service Jobs'. IN Brown, S. W., Gummesson, E., Edvardsson, B. & Gustavsson, B. O. (Eds.) *Service Quality: Multidisciplinary and Multinational Perspectives*. Lexington, MA, D.C. Heath/Lexington Books.
- Schütte, H. & Ciarlante, D. (1998) *Consumer Behavior in Asia*, New York, NY, New York University Press.
- Schuler, R. S. & Harris, D. L. (1992) *Managing quality: The primer for middle managers*, Reading, MA, Addison-Wesley.
- Schwartz, H. & Jacobs, J. (1979) *Qualitative sociology: A method to the madness*, New York, Free Press.
- Seiders, K., Voss, G. B., Grewal, D. & Godfrey, A. L. (2005a) Do satisfied customers buy more? Examining moderating influences in a retailing context. *Journal of Marketing*, 69(October), pp. 26-43.
- Seiders, K., Voss, G. B., Grewal, D. & Godfrey, A. L. (2005b) Do satisfied customers buy more? Examining moderating influences in a retailing context. *Journal of Marketing*, 69(October), pp. 26-43.
- Senge, P. M. (1990) *The Fifth Discipline*, New York, NY, Doubleday.

- Sengupta, S., Krapfel, R. E. & Pusateri, M. A. (1997) The Marriott experience. *Marketing Management*, 6(2), pp. 33.
- Sergeant, A. & Frenkel, S. (2000) When do customer contact employees satisfy customers? *Journal of Service Research*, 3(August), pp. 18-34.
- Sethi, R. (2000) New Product Quality and Product Development Teams. *Journal of Marketing*, 64(2), pp. 1-14.
- Shah, D., Rust, R. T., Parasuraman, A., Staelin, R. & Day, G. S. (2006) The path to customer centricity. *Journal of Service Research*, 9(2), pp. 113-124.
- Shamir, B. (1980) Between Service and Servility: Role Conflict and Subordinate Service Roles. *Human Relations*, 33(11), pp. 741-756.
- Shapiro, B. P. (1988) What the Hell is 'Market Oriented'? *Harvard Business Review*, 66(6), pp. 119-125.
- Sharp, B. & Sharp, A. (1997) Loyalty programs and their impact on repeat-purchase loyalty patterns. *International Journal of Research in Marketing*, 14(5), pp. 473-486.
- Shaver, P., Schwartz, J., Kirson, D. & O'Connor, C. (1987) Emotion knowledge: Further exploration of a prototype approach. *Journal of Personality and Social Psychology*, 52, pp. 1061-1086.
- Shemwell, D. J. J., Cronin, J. J. J. & Bullard, W. R. (1994) Relational Exchange in Services: Empirical Investigation of Ongoing Customer Service-provider Relationships. *International Journal of Service Industry Management*, 5(3), pp. 57-68.
- Shoemaker, S. & Bowen, J. T. (2003) Commentary on: Loyalty: A strategic commitment. *The Cornell Hotel and Restaurant Administration Quarterly*, 44(5-6), pp. 47-52.
- Shoemaker, S. & Lewis, R. (1999) Customer loyalty: the future of hospitality marketing. *Hospitality management*, 18, pp. 349.
- Shostack, G. L. (1977) Breaking free from Product Marketing. *Journal of Marketing*, 41(April), pp. 73-80.
- Shostack, G. L. (Ed.) (1985) *Planning the service encounter*, Lexington, MA, Lexington Books.
- Siguaw, J. A., Brown, G. & Widing, R. I. (1994) The influence of market orientation of the firm on sales force behavior and attitudes. *Journal of Marketing Research*, 31(1), pp. 106-116.

- Siguaw, J. A. & Honeycutt, E. D. (1995) An examination of gender differences in selling behaviors and job attitudes. *Industrial Marketing Management*, 24, pp. 45-52.
- Simones, C. & Dibb, S. (2001) Rethinking the brand concept: new brand orientation. *Corporate Communications: An International Journal*, 6(3), pp. 217-224.
- Sinclair, D. & Zairi, M. (2000) Performance measurement: a critical analysis of the literature with respect to total quality management. *International Journal of Management Reviews*, 2(2), pp. 145-168.
- Sirdeshmukh, D., Singh, J. & Sabol, B. (2002) Consumer Trust, Value, and Loyalty in Relational Exchanges. *Journal of Marketing*, 66(January), pp. 15-37.
- Slater, S. F. & Narver, J. C. (1994) Does Competitive Environment Moderate the Market Orientation - Performance Relationship. *Journal of Marketing*, 58(1), pp. 46-55.
- Slater, S. F. & Narver, J. C. (1996) Competitive Strategy in the Market-Focused Business. *Journal of Market Focused Management*, 1, pp. 159-174.
- Slater, S. F. & Narver, J. C. (1998) Customer-led and market-oriented: Let's not confuse the two. *Strategic Management Journal*, 19, pp. 1001-1006.
- Slater, S. F. & Narver, J. C. (1999) Market-oriented is more than being customer-led. *Strategic Management Journal*, 20(12), pp. 1165-1168.
- Smith, N. L. (1990) Cautions on the use of investigative case studies in meta-evaluation. *Evaluation and Program Planning*, 13(4), pp. 373-378.
- Stake, R. E. (1986) *Quieting reform: Social science and social action in an urban youth program*, Urbana, IL, University of Illinois Press.
- Stoecker, R. (1991) Evaluating and rethinking the case study. *The Sociological Review*, 39, pp. 88-112.
- Storbacka, K., Strandvik, T. & Gronroos, C. (1994) Managing customer relationships for profit. *International Journal of Service Industries Management*, 5(5), pp. 21-28.
- Strauss, A. & Corbin, J. (1990) *Basics of qualitative research: Grounded theory procedures and techniques*, Newbury Park, CA, Sage.
- Strong, E. K. J. (1925) Theories of selling. *Journal of Applied Psychology*, 9, pp. 75-86.
- Sunny (2005) 2005 Malcolm Baldrige National Quality Award Application Summary: Sunny Fresh Foods, Inc. *Malcolm Baldrige National Quality Award*. Gaithersburg, MD, National Institute of Standards and Technology, U.S. Department of Commerce.

- Sureshchandar, G. S., Rajendran, C. & Kamalanabhan, T. J. (2001) Customer perceptions of service quality: A critique. *Total Quality Management*, 12(1), pp. 111.
- Sussan, A. P. & Johnson, W. C. (1997) The impact of market / quality orientation on business performance. *Computers and Industrial Engineering*, 33(1-2), pp. 161-165.
- Swenson, M. J. & Herche, J. (1994) Social values and salesperson performance: an empirical examination. *Journal of Academy of Marketing Science*, 22(3), pp. 283-289.
- Tabrizi, B. & Walleigh, R. (1997) Defining next-generation products: An inside look. *Harvard Business Review*, 75(6), pp. 116-124.
- Tapp, A. (2003) The loyalty of football fans - We'll support you evermore? *Journal of Database Marketing & Customer Strategy Management*, 11(3), pp. 203-215.
- Thiagarajan, T. & Zairi, M. (1998) An empirical analysis of critical factors of TQM: A proposed tool for self-assessment and benchmarking purposes. *Benchmarking for Quality Management & Technology*, 5(4), pp. 291-303.
- Thomas, D. R. E. (1978) Strategy is different in service business. *Harvard Business Review*, 56, pp. 158-165.
- Thomson, M. (2006) Human Brands: Investigating Antecedents to Consumers' strong attachment to celebrities. *Journal of Marketing*, 70(July), pp. 104-119.
- Timewell, S. (1994) Listen to the customer. *Banker*, February, pp. 29-30.
- Triandis, H. (1989) The self and social behavior in differing cultural contexts. *Psychological Review*, 96, pp. 506-520.
- Tull, D. S. & Hawkins, D. I. (1984) *Marketing Research: Measurement and Method*, London, Collier MacMillian Publishers.
- Tunks, R. (1992) *Fast track to quality*, New York, McGraw Hill.
- Urde, M. (1994) Brand Orientation - A Strategy for Survival. *Journal of Consumer Marketing*, 11(3), pp. 18-32.
- Urde, M. (1997) Brand Orientation - Development of brands as strategic resources and protection against trademark degeneration. PhD Thesis, Lund University Press.
- Urde, M. (1999) Brand Orientation: A Mindset for Building Brands into Strategic Resources. *Journal of Marketing Management*, 15, pp. 117-133.
- Usunier, J. & Lee, J. A. (2005) *Marketing Across Cultures*, London, Prentice Hall International.

- Van Maanen, J. (1988) *Tales of the field: On writing ethnography*, Chicago, IL, University of Chicago Press.
- Van Maanen, J., Dabbs, J. M. J. & Faulkner, R. R. (1982) *Varieties of qualitative research*, Beverly Hills, CA, Sage.
- Vanauken, B. (2002) *The brand management checklist*, London, Kogan Page.
- Vargo, S. L. & Lusch, R. F. (2004) Evolving to a New Dominant Logic for Marketing. *Journal of Marketing*, 68(1), pp. 1-17.
- Vargo, S. L. & Lusch, R. F. (2008) Service-dominant logic: continuing the evolution. *Journal of the Academy of Marketing Science*, 36(1), pp. 1-10.
- Verma, S. (2009) Driven down by debt, Dubai expats give new meaning to long-stay car park. *TimesOnline*. Times Newspapers Ltd., [Online] Available at http://business.timesonline.co.uk/tol/business/markets/the_gulf/article5663618.e, [Accessed on September 16, 2009]
- von Hippel, E. (1986) Lead users: A source of novel product concepts. *Management Science*, 32(July), pp. 791-805.
- Voronov, M. & Singer, J. (2002) The myth of individualism-collectivism: a critical review. *Journal of Social Psychology*, 142(4), pp. 461-480.
- Wasson, C. R. (1965) *Research Analysis for Marketing Decision*, New York, NY, Appleton-Century-Crofts.
- Webster, F., E. Jr. (1988) The rediscovery of the marketing concept. *Business Horizons*, 31(May-June), pp. 29-39.
- Webster, F. E. (1992) The changing role of marketing in the corporation. *Journal of Marketing*, 56(October), pp. 1-17.
- Weerawardena, J., O'Cass, A. & C., J. (2006) Does industry matter? Examining the role of industry structure and organizational learning in innovation and brand performance. *Journal of Business Research*, 59(1), pp. 37-45.
- Weinstein, S. (1999) Building loyalty. *Progressive Grocer*.
- Wernerfelt, B. (1991) Brand loyalty and market equilibrium. *Marketing Science*, 10(3), pp. 229-245.
- White, C. & Yi, Y.-T. (2005) Satisfaction emotions and consumer behavioral intentions. *Journal of Services Marketing*, 19(6), pp. 411-420.
- Williamson, P. J. (1991) Supplier strategy and consumer responsiveness: managing the links. *Business Strategy Review*, Summer, pp. 75-90.

- Winsted, K. (1999) Evaluating Service Encounters: A Cross-cultural and Cross-Industry Exploration. *Journal of Marketing Theory and Practice*, 7, pp. 106-123.
- Winter, G. (2000) A comparative discussion of the notion of 'validity' in qualitative and quantitative research. *The Qualitative Report*, 4((3 & 4)).
- Wisner, J. D. & Eakins, S. G. (1994) A Performance Assessment of the US Baldrige Quality Award Winners. *International Journal of Quality and Reliability Management*, 11(2), pp. 8-25.
- Wong, A. (2004) The role of emotional satisfaction in service encounters. *Managing Service Quality*, 14(5), pp. 365-376.
- Wong, H. Y. & Merrilees, B. (2005) A brand orientation typology for SMEs: a case study approach. *Journal of Product & Brand Management*, 14(3), pp. 155-162.
- Wong, H. Y. & Merrilees, B. (2008) The performance benefits of being brand-orientated. *Journal of Product & Brand Management*, 17(6), pp. 372-383.
- Wong, V. & Saunders, J. A. (1993) Business Orientation and Corporate Success. *Journal of Strategic Marketing*, 1, pp. 20-40.
- Wong, W. Y.-L. & Kanji, G. K. (2001) Measuring customer satisfaction: Evidence from Hong Kong retail banking industry. *Total Quality Management*, 12(7,8), pp. 939.
- Wrenn, B. (1997) The Market Orientation Construct: Measurement and Scaling Issues. *Journal of Marketing Theory and Practice*, 5, pp. 31-54.
- Yarbrough, L. & Stassen, R. (1994) Relating Management Styles to Market Orientation, Marketing Theory and Applications. *American Marketing Association Winter Educator's Conference*.
- Yasin, M. M. & Yavas, U. (1999) Enhancing customer orientation of services delivery systems: an integrative framework. *Managing Service Quality*, 9(3), pp. 198-203.
- Yim, C. K. B. & Kannan, P. K. (1999) Consumer Behavioral Loyalty: A Segmentation Model and Analysis. *Journal of Business Research*, 44, pp. 75-92.
- Yim, F. H.-k., Anderson, R. E. & Swaminathan, S. (2004) Customer relationship management: Its dimensions and effect on customer outcomes. *The Journal of Personal Selling & Sales Management*, 24(4), pp. 263.
- Yin, R. K. (1989) *Case Study Research: Design and Methods*, Newbury Park, Sage.
- Yin, R. K. (1994) *Case study research: Design and Methods*, Thousand Oaks, CA, Sage Publications Inc.

- Yoon, S.-J. & Kim, J.-H. (2000) An empirical validation of a loyalty model based on expectation disconfirmation. *Journal of Consumer Marketing*, 17(2), pp. 120 - 136.
- Yu, Y.-T. & Dean, A. (2001) The contribution of emotional satisfaction to consumer loyalty. *International Journal of Service Industry Management*, 12(3/4), pp. 234.
- Zairi, M. (1994) Leadership in TQM Implementation: Some Case Examples. *The TQM Magazine*, 6(6), pp. 9-16.
- Zairi, M. (2000) Managing customer dissatisfaction through effective complaints management systems. *The TQM Magazine*, 12(5), pp. 331-335.
- Zairi, M. (Ed.) (2009) Excellence Tetralogy: The Inspired Customer, Bradford, European Centre for Best Practice Management.
- Zairi, M., Letza, S. & Oakland, J. (1994) Does TQM impact on bottom-line results? *The TQM Magazine*, 6(1), pp. 38-43.
- Zairi, M. & Youssef, M. (1995) Quality function deployment. *International Journal of Quality & Reliability Management*, 12(6), pp. 9-23.
- Zeithaml, V. A., Berry, L. L. & Parasuraman, A. (1996) The behavioral consequences of service quality. *Journal of Marketing*, 60, pp. 31-46.
- Zeithaml, V. A. & Bitner, M. J. (1996) *Services marketing*, New York, N.Y., McGraw Hill.
- Zeithaml, V. A., Parasuraman, A. & Berry, L. L. (1985) Problems and strategies in service marketing. *Journal of Marketing*, 49, pp. 33-46.
- Zeithaml, V. A., Parasuraman, A. & Berry, L. L. (1990) *Delivering Quality Service*, New York, N.Y., The Free Press.
- Zhou, K. Z., Li, J. J., Zhou, N. & Su, C. (2008) Market orientation, job satisfaction, product quality, and firm performance: Evidence from China. *Strategic Management Journal*, 29, pp. 985-1000.