

Customer orientation, relationship quality, and relational benefits to the firm

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Abstract

Purpose – This research seeks to test a model examining the potential links between customer orientation, expertise, and relationship quality at the interpersonal level and the link between relationship quality and positive service outcomes at the firm level, such as loyalty and positive word of mouth.

Design/methodology/approach – The study employs a survey methodology to obtain the opinions of 220 business travelers regarding their relationships with their travel agents. The hypothesized relationships were tested using structural equation modeling (SEM).

Findings – The research found significant positive relationships between customer orientation and expertise and respondents' perception of relationship quality. It also found significant links between relationship quality at the interpersonal level and positive outcomes at the organizational level. Interpersonal relationship quality enhanced customer satisfaction with the service firm but was also directly linked to loyalty to the firm and positive word-of-mouth about the firm.

Research limitations/implications – The study reinforces the importance of examining firm-level and personal-level relationships in services. Further, it verifies empirically an important link between customer orientation and relationship quality.

Originality/value – For managers, the study demonstrates the importance of having customer-oriented employees and the importance that the relationship between customers and employees plays in fostering customer loyalty and positive word-of-mouth about the firm.

Keywords Customer orientation, Customer loyalty, Customer relations

Paper type Research paper

An executive summary for managers can be found at the end of this article.

One of the pillars of Starbucks's value proposition is "customer intimacy". According to Jim Alling, Starbucks's senior vice president of North American retail, "it could be something as simple as recognizing you and knowing your drink or customizing your drink just the way you like it" (Moon and Quelch, 2003). "Having it your way" is the essence of a customer-oriented service strategy and "it is widely held that a customer-orientated firm is more likely to deliver exceptional service quality and create satisfied customers" (Hartline *et al.*, 2000). This traditional path suggests that customer orientation leads to greater satisfaction with the service, which leads to greater loyalty. This research attempts to determine whether customer-oriented contact employees can contribute even more to positive outcomes for the firm.

Numerous authors have highlighted the key role of contact personnel (e.g. service employees, salespeople) in the success of service organizations (e.g. Crosby and Stephens, 1987; Parasuraman *et al.*, 1985). Successful outcomes for the service organization, such as customer satisfaction, loyalty, and positive word-of-mouth can be significantly influenced by the personal interactions of service employees and customers

(Hennig-Thurau *et al.*, 2002). The goals of a relationship marketing strategy are to get and keep valuable customers. Just to maintain one's block of business it is necessary to generate new customers because some existing customers will be lost. In services, word-of-mouth (WOM) frequently has a significant impact, both positively and negatively, on the acquisition of new customers. Therefore, as Hennig-Thurau *et al.* (2002) suggest, loyalty and WOM are two key service relationship outcomes. Considering the importance of WOM in services, most service providers have done little to implement specific strategies to foster WOM (Gremler *et al.*, 2001). Most have assumed that satisfaction with the service alone drives WOM, but research suggests that satisfaction may not be enough to generate positive WOM (Gremler and Brown, 1996; Reynolds and Beatty, 1999). Gremler *et al.* (2001) suggest, and offer empirical support, that the interpersonal relationship between contact employees and customers can help foster WOM communication.

The relationship quality model (Crosby *et al.*, 1990) provides a theoretical framework for linking service relationships to organizational outcomes. This theory is based on the premise that the customer's evaluation of the interpersonal relationship with the contact person has a significant impact on the customer's continued utilization of the service. A second body of research focusing on customer orientation also recognizes the key role of contact personnel in customer interactions. Contact employees are the main vehicle for communicating with customers and are to a large

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extent the actual mechanism through which the organization expresses its business orientation toward its customers (Beaverland, 2001). Customer orientation involves practising the modern marketing concept at the individual level (Saxe and Weitz, 1982), which should foster long-term relationships with customers (Anderson, 1996) based on customer-driven value creation (Jolson, 1997).

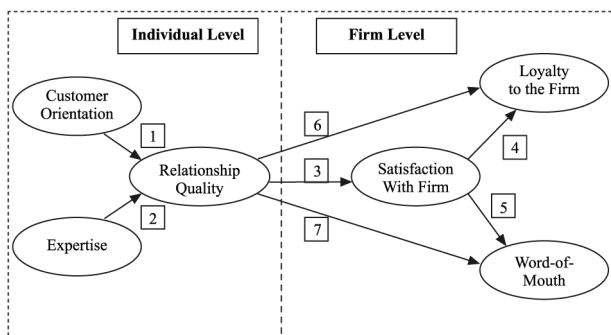
While it is generally believed that customer orientation should foster stronger relationships, and that relationship quality is an indicator of a stronger relationship, little empirical research has been conducted to examine the link between these two important constructs. The model proposed and tested in this study examines employee customer orientation and expertise as key antecedents of interpersonal relationship quality, which in turn leads to greater satisfaction with the service. Further, the model tests the expected link between satisfaction with the service and two key relationship outcomes, loyalty to the firm and WOM about the firm. However, the model also tests the direct effects of interpersonal relationship quality on loyalty and WOM. By examining these linkages, the study hopes to provide a clearer understanding of the relationships between customer orientation, relationship quality, and positive marketing outcomes at the organizational level.

Conceptual framework

The conceptual model tested takes its foundation from a more generalized model of market-oriented value creation (e.g. McNaughton *et al.*, 2002), in which market orientation creates customer value, which in turn increases customer satisfaction, leading to greater firm loyalty and positive word of mouth (Figure 1).

Although the model does not explicitly measure customer value, as some have done (Sirdeshmukh *et al.*, 2002), it assumes that the creation of value underlies global assessments of satisfaction leading to positive marketing outcomes. The model focuses the influence of individual-level constructs on firm level outcomes. In the following paragraphs, each construct in the model is discussed, as well as the development of the research hypotheses.

Figure 1 Conceptual model



Individual level variables

Relationship quality

In their seminal article, Crosby *et al.* (1990) define relationship quality as a higher-order construct, consisting of at least two key related, but distinct dimensions:

- 1 trust; and
- 2 satisfaction.

Hennig-Thurau and Klee's (1997) definition of relationship quality focuses on the "degree of appropriateness of a relationship to fulfill the needs of the customer associated with the relationship". Therefore, relationship quality captures the positive/negative nature of a relationship, which in turn provides positive benefits to the customer.

Almost all subsequent relationship quality researchers have adopted trust and satisfaction as key dimensions. However, many have also conceptualized more dimensions including customer orientation (Dorsch *et al.*, 1998; Palmer and Bejou, 1994), expertise (Palmer and Bejou, 1994), conflict, willingness to invest, and expectation of continuance (Kumar *et al.*, 1995), opportunism (Dorsch *et al.*, 1998), cooperative norms (Baker *et al.*, 1999) and commitment to the firm (Kumar *et al.*, 1995). Two recent reviews have attempted to assess this somewhat long list of possible dimensions. Roberts *et al.* (2003) suggest that many of the dimensions examined can be eliminated either because they are antecedents or because they lack empirical support. They advocate a four-dimension conceptualization of relationship quality consisting of trust, satisfaction, commitment, and affective conflict. Hennig-Thurau *et al.* (2002) conduct a similar review of the literature and conclude that the core dimensions of relationship quality are satisfaction, trust, and commitment. Therefore, it seems that these three related constructs have stood the test of time and scrutiny. However, there is a considerable amount of empirical research that indicates that trust (e.g. Morgan and Hunt, 1994) and satisfaction are antecedents of commitment (e.g. Macintosh and Lockshin, 1997). In fact, Hennig-Thurau *et al.* (2002) model trust and satisfaction as antecedents of commitment. Therefore, since trust and satisfaction are the key drivers of commitment, we argue that they are the true core of relationship quality, as it is unlikely that commitment would arise in the absence of trust and/or satisfaction. So for the purpose of this study, we focus on the original key dimensions of trust and satisfaction with the contact person, as proposed by Crosby *et al.* (1990). Relationship quality is conceptualized as the customer's assessment of the interpersonal relationship with the contact person. This conceptualization draws a distinction between relationship quality and the individual characteristics (e.g. expertise) and behavior (e.g. customer orientation) of contact person that might contribute to relationship quality. In addition, it draws a distinction between relationship quality (individual-level) and outcomes at the organizational level (satisfaction with the firm, loyalty to the firm, and word-of-mouth regarding the firm). Research on marketing relationships has shown the importance of differentiating between individual-level and firm-level variables (Iacobucci and Ostrom, 1996; Macintosh and Lockshin, 1997; Sirdeshmukh *et al.*, 2002).

Customer orientation

Brown *et al.* (2002) suggest that customer orientation, an individual-level construct, is the key to a service organization's ability to be market oriented. Customer orientation has been defined as the degree to which contact personnel "practice the modern marketing concept by trying to help their customers make purchase decisions that will satisfy customer needs" (Saxe and Weitz, 1982). Customer orientation is believed to be foster a number of positive marketing outcomes. Generally, research has found customer orientation to be related positively to employee performance (e.g. Boles *et al.*, 2001; Brown *et al.*, 2002; Swenson and Herche, 1994). Other research has supported a link between customer orientation and customer satisfaction, both at the firm level (Goff *et al.*, 1997; Humphreys and Williams, 1996) and at the individual level (Goff *et al.*, 1997). Most recently, in a major review of the customer orientation literature, Schwepker (2003) cites several studies that suggest, but do not empirically test, a linkage between customer orientation and customer trust. Therefore, since satisfaction and trust are the key dimensions of relationship quality at the individual level, the following hypothesis is examined:

H1. Customer orientation is positively related to customer's perceptions of relationship quality.

Expertise

Prior research on relationship quality (Crosby *et al.*, 1990) suggests that contact person expertise is a significant antecedent of relationship quality. Other research suggests that expertise is perhaps the most important antecedent of trust (e.g. Doney and Cannon, 1997; Moorman *et al.*, 1993) and has been found to be related to satisfaction at the individual level (Macintosh, 2002). Trust is premised in the customer confidence in the ability of the service provider to deliver, which is captured in their perceptions of expertise (Moorman *et al.*, 1993). Therefore, the following hypothesis is tested:

H2. Service provider expertise is positively related to customer's perceptions of relationship quality.

Firm level variables

Most research on marketing relationships continues to ignore the distinction between interpersonal and person-to-firm relationships, and in particular the connections between these two levels of relationships in business. The research that has explicitly addressed the presence of both types of relationships consistently finds important differences between them (e.g. Doney and Cannon, 1997; Iacobucci and Ostrom, 1996) and demonstrates the value of examining the connections between them (e.g. Crosby and Stephens, 1987; Macintosh and Lockshin, 1997; Sirdeshmukh *et al.*, 2002). This study builds on the work of Gremler *et al.* (2001) that suggests the importance of interpersonal relationships between service employees and customers in fostering positive word-of-mouth. The theoretical relationships between the firm-level variables in Model 1 are quite well established in the literature. However, a major contribution of this research is in linking individual-level variables to firm-level variables, and in

particular, examining direct relationships between relationship quality at the individual level and positive firm level outcomes such as loyalty and positive word-of-mouth that are not mediated by the customer's satisfaction with the firm.

Satisfaction with the firm

Several research studies (e.g. Crosby and Stephens, 1987; Singh, 1991) have established that service customers often make several distinct assessments of satisfaction, including satisfaction with:

- the core service;
- service personnel; and
- the service firm.

Satisfaction with the firm is defined as the customer's overall evaluation of his/her experience with the firm. Customers also make assessments of their satisfaction with the contact person that they interact with. Satisfaction with the contact person, along with interpersonal trust, is suggested as a key component of relationship quality. Since in many service organizations, contact service people serve as the key representative of the firm, it could be expected that positive assessments at the individual level, including interpersonal satisfaction, would have a positive influence on assessments of the firm:

H3. Relationship quality is positively related to customer's satisfaction with the service firm.

Loyalty to the firm

The literature has established a strong linkage between satisfaction with the firm and loyalty to the firm (e.g. Cronin and Taylor, 1994; Rust and Zahorik, 1993). Recent research in services supports this important linkage (Hennig-Thurau *et al.*, 2002). Therefore:

H4. Satisfaction with the firm is positively related to loyalty to the firm.

Word-of-mouth

Word-of-mouth (WOM) communication can be defined as "informal communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services and/or their sellers" (Westbrook, 1987). WOM communication is believed to hold particular importance in its ability to influence other consumers because it is perceived as being more neutral and less biased than marketing-based communication (Herr *et al.*, 1991). Research shows that the impact of WOM is particularly important in services (e.g. Gremler, 1994; Heskett *et al.*, 1997), where consumers are more likely to be dependent on the communication of others. Past research supports a linkage between satisfaction with the firm and positive word-of-mouth about the firm (File *et al.*, 1994; Hennig-Thurau *et al.*, 2002).

H5. Satisfaction with the firm is positively related to positive word-of-mouth about the firm.

The last two hypotheses examine potential direct effects of interpersonal relationship quality on customer loyalty to the firm and positive word-of-mouth that are not mediated by the customer's satisfaction with the service firm. These

hypotheses also explicitly recognize the distinct assessments of satisfaction with the contact person and satisfaction with the firm, as suggested by Crosby and Stephens (1987). Many alternative scenarios regarding these to two types of satisfaction are possible. Extreme cases can occur where one assessment is very high, while the other is very low (“I love working with this particular service person, even though I feel that the company is not that great”). These hypotheses are premised on the prior research findings that suggest that a strong relationship at the interpersonal level can represent a bonus to the firm in the sense that it provides an additional bond that ties the customer to the firm (Macintosh and Lockshin, 1997). Gremler *et al.* (2001) provide evidence that trust between the service employee and customer can have a positive impact of word-of-mouth about the firm. This premise is consistent with other research that demonstrates the importance of separating the unique contributions of service employees and organizational variables (Sirdeshmukh *et al.*, 2002). Specifically, it is suggested that relationship quality has a direct influence on customer loyalty and positive word-of-mouth that is independent of a customer’s satisfaction with the firm:

- H6. Relationship quality is directly related to customers’ loyalty to the service firm.
 H7. Relationship quality is directly related to positive word-of-mouth about the service firm.

Method

Sample

The effective sample analyzed consisted of 220 employees of a major Canadian university who had made travel arrangements through the university’s travel agent in the prior three years. The employees were not required to use this particular travel agency. However, there was a working agreement between the university and the agency for direct billing, which was not available at other travel agencies. Careful attention was given to insure that the participants actually had personal interactions with a travel counselor. Questionnaires were delivered via campus mail to 1,361 people, of which 489 were returned for an effective response rate of 36 percent. Of those responding, 236 had not had contact with the travel agency in the past three years and an additional 33 had not had direct contact with a travel counselor (e.g. someone else made their travel arrangements), leaving 220 participants who had personal interactions with travel counselors. The effective sample had on average used the travel agency approximately 14 times in the prior three years. While all of the participants had used the travel agent for business travel, roughly one-third had also used the agent for personal travel.

The participants would share similarities with many business service users who would interact with service provider employees a moderate number of times throughout a year (a couple times a year to perhaps once a month). Also almost all of these interactions would be remote via phone, internet, or mail, rather than face-to-face interactions. The sample characteristics are broken down as follows. In terms of position at the university, 11 percent were staff, 58 percent

faculty, 29 percent administrators, and 2 percent other. Fifty-two percent were male. In terms of length of employment at the university, 19 percent had been at the university for five years or less, 26 percent for six to ten years, and 55 percent for more than ten years.

Measures and analysis

All of the measures were scales consisting of Likert or semantic differential questions, except for the measure of word-of-mouth, which is discussed below. All of the scales were taken or adapted from prior research, except word-of-mouth (actual scale items and their source can be found in the Appendix). The Likert questions were all on a five-point scale and the semantic differential questions on a seven-point scale. The measure of WOM is similar to other measures of WOM that have been used in prior research (e.g. Hennig-Thurau *et al.*, 2002). It was an index that captured both the frequency and positive versus negative nature (valence) of comments made to others about the travel agency. The two items, which were multiplied to arrive at the WOM score, are listed in the Appendix.

A two-step approach was taken in analyzing the data (Anderson and Gerbing, 1988). First, the measurement model was evaluated using confirmatory factor analysis, followed by the estimation of the theoretical model.

Results

Measurement model

A joint confirmatory factor analysis, with all of the variables except for word-of-mouth, was conducted using LISREL8 to evaluate the factor structure, reliability, and discriminant validity. The $\chi^2(df)$ was insignificant, which would be expected with a fairly large sample, but the other overall indicators suggested that fit of the measurement model was good. The comparative fit index was 0.98, the goodness-of-fit index was 0.81, the root mean square residual (RMR) was 0.043, and the incremental fit index was 0.98. All of the scale items loaded significantly at the 0.01 level on their respective constructs. The standardized factor loadings reported in Table I are quite high. All of the loadings were over 0.70, except for customer orientation items 2 and 4, which were 0.51 and 0.50, respectively. Both Cronbach’s α and the average shared variance estimates, reported in Table II, were used to examine construct reliability. All of the Cronbach’s α ’s are above the minimum of 0.70 suggested by Nunnally (1978). The index of the amount of variance of each latent factor accounted for in its indicators was at or above the recommended 0.50 (Fornell and Larcker, 1981). Discriminant validity is evidenced by the fact that all of the construct intercorrelations were significantly less than 1.00 and the phi correlations squared were less than the variance extracted for each construct (Fornell and Larcker, 1981). Taken together, these results suggest that the measures exhibited satisfactory reliability, convergent, and discriminant validity.

Some concern might arise over the ability to separate customer satisfaction with the employee and satisfaction with the service. However, the literature suggests that they are conceptually distinct assessments (Crosby and Stephens,

Table I Standardized confirmatory factor analysis (CFA) loading estimates

Item	1	2	3	4	5	6
Customer orientation1	0.84					
Customer orientation2	0.51					
Customer orientation3	0.81					
Customer orientation4	0.50					
Customer orientation5	0.88					
Customer orientation6	0.86					
Customer orientation7	0.92					
Expertise1		0.89				
Expertise2		0.97				
Expertise3		0.94				
Trust1			0.71			
Trust2			0.92			
Trust3			0.97			
Trust4			0.77			
Satisfaction1-counselor				0.99		
Satisfaction2-counselor				0.99		
Satisfaction1-firm					0.99	
Satisfaction2-firm					0.99	
Loyalty1						0.94
Loyalty2						0.85
Loyalty3						0.83

Table II Descriptive statistics for measures

	M	SD	Range	a	Average ^a
Customer orientation	3.66	0.90	4.33	0.90	0.71
Expertise	3.45	0.97	4.00	0.95	0.79
Trust	3.35	1.18	4.00	0.90	0.51
Satisfaction (counselor)	4.86	1.76	6.00	0.96	0.98
Satisfaction (firm)	4.31	1.87	6.00	0.99	0.99
Loyalty	2.78	1.26	4.00	0.95	0.89
Word-of-mouth	-0.71	2.54	12.0	NA	NA

Notes: ^aAVE = average variance extracted; NA = not applicable

1987). From a practical perspective, separate perceptions of the service organization stem from interactions with employees other than the specific travel counselor (receptionists, billing staff, or other counselors that might fill in or answer questions in the absence of their regular counselor). Customers would also have other experiences independent of the travel counselor, such as with company policies and rules and the company billing process. Perceptions of the firm would also be influenced by company generated promotional materials and other communications. Participants would also have vicarious experience based on the communicated experiences of others who have used the travel agency's services. The confirmatory factor analysis empirically supports the distinction between satisfaction with the employee and satisfaction with the firm. Further, examination of the data provides additional support. It was hypothesized that these two constructs would be correlated. However, a cross-

tabulation of the individual responses indicates that 23 respondents (10 percent of the sample) who rated the travel counselor very high on satisfaction (at least six on a seven-point scale) rated their satisfaction with the firm fairly low (four or less).

Theoretical model

The hypothesized relationships in the model were tested using structural equation modeling in LISREL8. In estimating the structural model, each of the constructs was represented by a single score. For each construct except relationship quality and word-of-mouth, the scale items for each scale were averaged to create a construct score. For relationship quality, the same averaging procedure was applied to get individual scores for trust and satisfaction with the contract person. Then those scores were summed to get the single-item score for the higher-order construct, relationship quality. Word-of-mouth was already calculated as a single-item score described in the measure section. Correlations between the constructs are presented in Table III.

The hypothesized model fit the data well, as evidenced by the following fit indicators: $\chi^2 = 4.98$ (7 df), $p = 0.066$; RMR = 0.008; GFI = 0.99. All of the hypothesized relationships in the model were supported (see Table IV). At the individual level, both customer orientation (*H1*) and expertise (*H2*) were significantly related to relationship quality. Relationship quality was also significantly related to satisfaction with the firm (*H3*). As expected, satisfaction with the firm was significantly related to loyalty (*H4*) and positive word-of-mouth (*H5*). Relationship quality was also significantly directly related to loyalty (*H6*) and word-of-mouth (*H7*).

Limitations

The study focuses on one firm, in one industry. This factor may impact the study's generalizability across service contexts. Crosby *et al.* (1990) suggest contexts, such as when the service is complex, customized and delivered over time, where interpersonal relationships seem more critical. Therefore, the findings in this study may be more applicable to similar service contexts and less applicable in contexts where the relationship with the contact person is less distinct from the relationship with the service organization. Further, the study suffers from the common limitations of cross-sectional paper and pencil research. The relationships tested in the model are correlational, rather than causal. Therefore, while the hypothesized relationships are based on

Table III Correlations between the constructs

	1	2	3	4	5	6
1. Customer orientation	1.00					
2. Expertise	0.81	1.00				
3. Relationship quality	0.81	0.82	1.00			
4. Satisfaction (firm)	0.70	0.70	0.78	1.00		
5. Loyalty	0.78	0.78	0.86	0.85	1.00	
6. Word-of-mouth	0.64	0.68	0.75	0.72	0.77	1.00

Note: All values significant at < 0.01

Table IV Coefficients

Hypotheses	Relationship quality	Satisfaction with firm	Loyalty to firm	Word-of-mouth-firm
Customer orientation	0.42			
Expertise	0.53			
Relationship quality		0.86	0.55	0.53
Satisfaction with firm			0.47	0.35

Note: All values significant at <0.01

the literature, paths in opposite direction are possible. For example, customer loyalty to the firm may have a positive impact on interpersonal relationship quality. Finally, the model is limited to those variables included, obviously not accounting for other potentially important variables.

Discussion and implications

The results offer empirical support for the model tested. Customers' perceptions of the service employee's customer orientation were positively related to interpersonal relationship quality, supporting *H1*. While this result might be anticipated, the study provides empirical support for employee customer orientation as an important contributor to positive relationships between customers and contact employees. This finding reiterates the importance of service firms of having frontline employees who are capable, empowered, and motivated to be customer oriented. While many firms may embrace customer orientation as a corporate value, much is yet to be learned about implementing it as a strategy. Two recent avenues of research hold promise for helping managers in this regard. First, research by Hartline *et al.* (2000) suggests four key mechanisms for disseminating a customer-oriented strategy:

- 1 a less formalized organizational structure;
- 2 employee empowerment;
- 3 behavior-based employee evaluations; and
- 4 work-group socialization.

Considering these key mechanisms, the current study's findings would suggest that customer-oriented employee behavior is an important performance characteristic that companies should measure and reward. A second avenue of research suggests that firms would be wise to select recruits that are predisposed to be customer-oriented. Brown *et al.* (2002) found that three basic personality traits (emotional stability, agreeableness, and the need for activity) explained 39 percent of the variance in customer orientation of service employees. Additional research along these lines holds potential for helping managers implement a customer-oriented strategy, which in turn should enhance both loyalty and positive word-of-mouth.

H2, examining the link between employee expertise and interpersonal relationship quality, was also supported. Employee expertise was found to be significantly related to relationship quality. Like customer orientation, expertise is an important variable that can be influenced by recruiting and training. *H3*, examining the positive link between interpersonal relationship quality and satisfaction with the firm, was supported. This finding reiterates the importance

of interpersonal relationships if fostering customer satisfaction with the service. *H4* and *H5* were also supported, verifying the expected positive links between satisfaction with the firm and both loyalty to the firm and WOM about the firm.

Both hypotheses testing the direct paths from interpersonal relationship quality to positive outcomes for the firm were supported. *H6* examines the direct positive link from interpersonal relationship quality to loyalty to the firm. This finding supports the contention in prior research that positive interpersonal relationships between contact employees and customers can create an additional bond that ties customers to the firm (Macintosh and Lockshin, 1997). The last hypothesis (*H7*) tests the direct link from relationship quality to WOM about the firm. This finding has potential significant managerial implications because prior research has shown that satisfaction with the firm alone may not be enough to foster positive WOM. A practical example of this potential is the relationship development program implemented by Harley Davidson, where "the bonding between employees and customers has been so successful in spreading positive WOM" (Gremler *et al.*, 2001) that Harley has been able to substantially reduce its traditional promotional expenditures.

Further, the model clearly emphasizes the importance of having customer-oriented contact people in services. Both customer orientation and expertise were significantly related to relationship quality. In fact, the combination of customer orientation and expertise seems to provide both the right type of motivation and the ability to create customer-driven value. In services where the contact personnel play a large role in service delivery, firms should be concerned about both the factors that influence the quality of the relationship with the contact person and potentially additional factors that may independently influence satisfaction with the firm. This was even more evident when we took a closer look at the relationship between relationship quality and word-of-mouth.

In order to get a better understanding of the link between relationship quality and word-of-mouth, we conducted a *post hoc* analysis of the data. This analysis revealed a number of interesting issues. First, high levels of positive word-of-mouth, which some have labeled customer advocacy (e.g. Bendapudi and Berry, 1997), only occurred in the presence of the highest level of relationship quality. Unfortunately, high relationship quality does not guarantee customer advocacy. In fact, 20 respondents in the study who had very high relationship quality (nine had the highest possible score), had no word-of-mouth and five respondents

who had fairly high relationship quality actually had negative word-of-mouth. Respondents with higher levels of relationship quality were at least as likely to say nothing at all as they were to say anything positive. An examination of the respondents with negative word-of-mouth tells a different story. Respondents with moderate levels of relationship quality were just as likely to have very negative word-of-mouth as respondents that had very low levels of relationship quality. This fact is evident in the data presented in Table V, which shows the means and distribution of relationship quality scores for those respondents who had the highest levels of positive word-of-mouth and the highest levels of negative word-of-mouth. The ten advocates are tightly clustered with the highest possible level of relationship quality. However, the 33 respondents with high negative word-of-mouth had a large range of relationship quality scores and a standard deviation of 2.38. One conclusion that might be drawn from this data is that, at least in this context, relationship quality is not a guarantee of customer advocacy, but rather a minimum condition to be met by companies hoping to foster positive word-of-mouth. This finding suggests the possibility of motivation versus hygiene factors in considering influences on customer word-of-mouth communication.

This research reiterates the importance of considering interpersonal level variables and firm level variables in assessing marketing relationships. While it may be argued that service organizations are interested in promoting strong relationships between customers and the firm, firms cannot ignore the fact that a potentially stronger relationship can be established at the interpersonal level with the contact service employee. Similarly, in most cases one would expect that quality of the interpersonal relationship would be consistent with the customer's assessment of the firm. However, relationship quality at the individual level can have important direct effects on customer loyalty to the firm and positive word-of-mouth that are independent of the customer's satisfaction with the firm. Since this research supports the importance of customer orientation, more research should be conducted on improving the selection, training, and motivation of customer-oriented employees. Future research might also focus on individual differences in the importance of interpersonal relationships to customers, such as differences in relational preferences (Reynolds and Beatty, 1999) or perceived risk (Macintosh, 2002). Finally, additional research is needed to better understand the factors that influence word-of-mouth, particularly factors that might aid managers in attempts to successfully manage word-of-mouth.

Table V Means for relationship quality

	Mean	n	Minimum	Maximum	SD
High + WOM	11.95	10	11.50	12.00	0.16
High – WOM	3.04	33	2.00	8.00	2.38

Note: High + WOM and High – WOM defined as +4 or greater and – 4 or less, respectively

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Appendix

Figure A1

Customer Orientation (from Saxe and Weitz 1987)

	The travel counselor:
CO1	seemed to have my best interests in mind.
CO2	tried to influence me with information, not pressure.
CO3	offered me services suited to my needs.
CO4	provided accurate representations of products and services.
CO5	seemed to genuinely enjoy helping me.
CO6	was easy to talk to.
CO7	wanted to do his/her job well.

Relationship Quality (Higher order construct consisting of Trust and Satisfaction)

Trust	(from Macintosh and Lockshin 1997)
Trust1	I find it necessary to use caution in dealing with the travel counselor. (R)
Trust2	I trust the travel counselor to do things that I can't do for myself.
Trust3	I believe the travel counselor can be counted on to do what is best for me.
Trust4	I generally do not trust the travel counselor. (R)

Satisfaction with Individual Contact Person (from Crosby and Stephens 1987)

	With respect to the individual travel counselor, I am generally:
Satisfaction1	Very Unsatisfied.....Very satisfied
Satisfaction2	Very Displeased.....Very pleased

Satisfaction with the Firm (from Crosby and Stephens 1987)

	With respect to the _____ as a company, I am generally:
Satisfaction1	Very Dissatisfied.....Very satisfied
Satisfaction2	Very Displeased.....Very pleased

Loyalty to the Firm (From Macintosh and Lockshin 1997)

Loyalty1	I like working with (the firm).
Loyalty2	I am committed to purchasing my travel arrangements from (the firm).
Loyalty3	If I had a choice between (the firm) and another travel agency, I would continue to work with (the firm).

Word-of-Mouth about the Firm (New Measure)

Frequency	I have talked to co-workers or friends about my experience with (firm). Scored-Never = 0, Once or Twice = 1, Several Times = 2, Many Times = 3
Valence	If you talked to co-workers or friends about (the firm), your comments were generally: Scored-Very Negative = -2, Negative = -1, Neutral = 0, Positive = 1, Very Positive = 2

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Executive summary and implications for managers and executives

This summary has been provided to allow managers and executives a rapid appreciation of the content of the article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.

You run a great company, offering fantastic service and employ enthusiastic front-line staff as your main contact with the customers. Your reward? Word-of-mouth recommendation from satisfied customers who are only too glad to tell their friends, colleagues and relatives great things about your company. Or so you think.

The reality is far more complex and needs to be understood by managers who want – and probably deserve – to benefit from the good service they provide. A basic lesson to learn is that a willingness to recommend a company is not necessarily a consequence of receiving a good service experience.

A linked lesson to learn is that a customer might have a good opinion of your company even after receiving a poor

service experience from one of your staff and, conversely, a good relational experience with an employee might not automatically lead to a high opinion of the company itself.

For instance, a motor-spares chain of shops reassures customers that “We’ll fit it”. Some of the fitting is free – such as installing an expensive satellite navigation system. For some there’s a charge – such as fitting a car bulb. Whether you pay for it or not, offering the choice is something most customers would welcome. That is, until you ask for the headlight bulb to be fitted and realize that the only employee available hasn’t much idea of what he’s doing and the fact that it is done successfully is more down to good luck than expertise.

Another example: you go into a hardware store for shelf fixtures and they haven’t got what you want in stock. Instead of shrugging their shoulders in apology or, worse still, persuading you to buy something which might or might not do instead, an employee recommends a rival store.

In the first instance, does an employee’s inexperience (and the company’s failure to have him adequately trained before allowing him to be a front-line contact employee) mean your relationship with the company is diminished? In the second instance, is the company’s reputation enhanced in your opinion because an employee actually feels empowered enough to advise you to shop elsewhere?

Whatever your view – and whatever the practical or philosophical implications of such conundrums – both are likely to feature in any “word of mouth” endorsements or warnings to others. All of which only goes to underline the complexity of relational benefits to a firm stemming from customer orientation and relationship quality, which Gerrard Macintosh studies with particular emphasis on the importance of word-of-mouth recommendations.

While many firms may embrace customer orientation as a corporate value, much is yet to be learned about implementing that strategy. Relationship quality cannot be taken as a guarantee of customer advocacy, but rather a minimum condition to be met by customers hoping to foster positive word-of-mouth.

Just to keep the same number of customers, a business has to constantly attract new ones, as some existing ones will inevitably be lost. In services, word-of-mouth (WOM) frequently has a significant impact, both positively and negatively, on the acquisition of new customers yet many providers do little to implement specific strategies to foster

WOM, perhaps assuming that customers’ satisfaction with the service alone is enough to be the driver.

In the context of business travelers’ relationship with their travel agent, Macintosh’s study underlines the importance of having customer-oriented employees and the importance that the relationship between customers and employees plays in fostering customer loyalty and positive word-of-mouth recommendations for the company.

It reiterates the importance of service firms having front-line employees who are capable, empowered, and motivated to be customer oriented. One body of research suggests four key mechanisms to help managers disseminate a customer-oriented strategy:

- 1 a less formalized organizational structure;
- 2 employee empowerment;
- 3 behavior-based employee evaluations; and
- 4 work-group socialization.

Macintosh notes: “Considering these key mechanisms, the current study’s findings would suggest that customer-oriented employee behavior is an important performance characteristic that companies should measure and reward”.

A further avenue of research suggests that firms would be wise to select recruits who are predisposed to be customer-oriented, bearing in mind personality traits such as emotional stability, agreeableness, and the need for activity. Employee expertise was found to be significantly related to relationship quality and, like customer-orientation, expertise is an important variable which can be influenced by recruiting and training.

Macintosh says: “While it may be argued that service organizations are interested in promoting strong relationships between customer and the firm, firms cannot ignore the fact that a potentially stronger relationship can be established at the interpersonal level with the contact service employee. Similarly, in most cases one would expect that quality of the interpersonal relationship would be consistent with the customer’s assessment of the firm. However, relationship quality at the individual level can have important direct effects on customer loyalty to the firm and positive word-of-mouth that are independent of the customer’s satisfaction with the firm”.

(A précis of the article “Customer orientation, relationship quality, and relational benefits to the firm”. Supplied by Marketing Consultants for Emerald.)

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