CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

Having a look at the basic literature on service orientation, customer orientation and market orientation, different interpretations of these theoretical constructs can be found. On the individual level, service orientation mostly is understood as an expression of attitude or personal trait. On the organizational level, it is more action oriented and can be seen as an expression of a certain handling or special performance of leadership, human resource management, service encounter and service system (Hogan et al., 1984). Customer orientation can either be seen as one dimension of market orientation comprising customer commitment, the creation of customer value, understanding customer needs, generating customer satisfaction and providing after-sales service (Narver et al., 1990). It can also be understood as focusing on certain customers, offering individualized or mass-customized solutions (Naumann et al., 1992) or as a special attitude of service employees (Thurau, 2004; Hanzaeel et al., 2011). As per Wright et al. (1997), the practice of customer service is regarded as a measure of customer orientation. Market orientation according to Narver et al. (1990) and Chang et al. (1998) comprises customer orientation, competitor orientation, inter-functional coordination, long-term horizon and profit emphasis and is based on actions within a company. Kohli et al. (1990) stress the knowledge aspect of market orientation comprising the organization-wide generation of market intelligence, the dissemination of the intelligence across the company departments, and organization-wide responsiveness to the changes taking place in the environment. All in all, there is no consistent understanding of the three constructs in literature yet.

The notion of putting the customer first, or customer or market orientation as it is more usually labeled, is often traced back to Drucker’s (1954, p. 37), statement that the purpose of a firm was to create and keep customers – for "it is the customer who..."
*determines what a business is*. This has generally been interpreted, as meaning that in order to be successful, organizations should attempt to ascertain the customer’s needs and wants, and produce the products and services that will satisfy these. Indeed, the most enduring trait of the supposedly excellent firms in Peters *et al.* (1982), successful book was that they were “close to the customer”.

### 2.1 Market and Customer Orientation

Organizations may have different types of business orientations such as customer orientation, goal orientation, management orientation, sales orientation, marketing/market orientation, and so on. All these orientations can be assessed both at the organizational and individual levels. They may be critically important for firms both in national and international markets. In general, the purpose of these orientations is to generate more profit, more sales, more satisfaction, and so on. Especially, customer orientation has been increasingly emphasized by both academics and practitioners as a beneficial business orientation for the last four decades. The concept of customer orientation can be evaluated from the two perspectives: organizational-level customer/market orientation versus individual-level customer orientation.

Employees of a market-oriented firm are ideally expected to be also market-oriented or customer-oriented. Market orientation motivates employees to become more customer-oriented, more committed to their company and their job, and more satisfied with their job (Kohli *et al.*, 1990; Siguaw *et al.*, 1994a). It has been empirically shown that, in a market-oriented organization, employees are likely to have more *esprit de corps* and organizational commitment (Jaworski *et al.*, 1993, 1996). Since a marketer has a significant impact on the creating demand and establishing trust between the organization and the customer, the actions and behavior of a marketer and his/her orientation towards the customer become very significant and central from the organizational standpoint. If an organization aims to establish and/or maintain a competitive position in the marketplace and to develop long-term satisfactory relationships with its customers, it should emphasize on understanding the factors that influence the customer-orientedness of its marketers.
The possible relationship between overall market orientation of the firm and the customer-orientedness of the firm’s marketing employees may have important implications for businesses. Maintaining a strong customer orientation in each employee, especially in a front end or contact employee, is critical for the success of almost any types of businesses. Few studies have investigated whether a high level of the organizational-level market orientation results in a high level of customer orientation exhibited by the firm’s employees at different organizational levels (e.g., Siguaw et al., 1994b). Siguaw et al. (1994b) found a positive and significant relationship between organizational-level market orientation and individual-level customer orientation. Brown et al. (2002, p. 111) noted that “Despite the apparent importance of employees, customer orientation is the implementation of the marketing concept in the market-driven company, research on the construct has been limited”.

2.2 Individual-Level Customer Orientation

Even though customer orientation is accepted by both practitioners and scholars as a critical element for the success of almost every business, past research has not given a specific attention to this subject much. The previous research has mainly treated customer orientation as an important component of the marketing concept (e.g., Bell et al., 1971) and/or market orientation (e.g., Narver et al., 1990). Customer orientation has mainly been examined at the organizational level in combination with the other dimensions of the marketing concept and/or market orientation (e.g., Kohli et al., 1990; Narver et al., 1990; Lukas et al., 2000). In the literature, the number of individual-level market/customer orientation studies is limited (e.g., Saxe et al., 1982; Williams et al., 1985; Siguaw et al., 1994b) and most of these studies have been conducted in the selling context.

A group of studies have examined the factors that affect the degree of customer orientation of individuals (e.g., O’Hara et al., 1991; Brown et al., 1994; Siguaw et al., 1995, 1998; Brown et al., 2002). O’Hara et al., (1991) tested job tenure, supervisor/employee relations, job involvement, organizational commitment, and personal characteristics (i.e., gender) as antecedents of customer orientation while Siguaw et al., (1995) investigated the links among job satisfaction, organizational
commitment, role conflict, role ambiguity, and salesperson's performance. Siguaw et al. (1994b) explored the effect of market orientation, as viewed from the salesperson's perspective, on the salesperson's customer orientation and job attitudes. Williams et al. (1996) examined the relationships among organizational culture, customer orientation, and buyer-seller relationship development. Customer-oriented behavior was used as a mediating variable between buyer/seller's organizational cultures and buyer-seller relationships. A selling firm's organizational culture is the significant predictors of customer orientation and relationship development. Brown et al. (2002) investigated the effects of basic personality traits on the customer orientation of employees.

There are not many studies that have examined the antecedents and consequences of the customer-orientedness of an individual in different business contexts including marketing, advertising, retailing, and so on. The possible link between market orientation and individual-level customer orientation is a vital research topic. The number of studies on this issue has been limited to a few (e.g., Siguaw et al., 1994a; Menguc, 1996; Boles et al., 2001; Jones et al., 2003). The past research investigated the effect of the firm's market orientation (Siguaw et al., 1994a, Menguc, 1996; Jones et al., 2003) and the impact of the organizational-level customer orientation (Boles et al., 2001) on the individual-level customer orientation of salespersons and/or sales managers.

A strong market orientation leads to more satisfied employees who are more committed, motivated, and productive (Day, 1998). A market-oriented organization requires its employees to be close to its customers and responsive to their needs and wants. Since employees of a market-oriented organization are generally highly motivated and committed (Day, 1998), they are expected to implement the requirements of their employer completely. Thus, they are likely to become more customer-oriented or customer-focused. Also, Flaherty et al. (1999) found that "employees perceiving a highly customer-oriented organization are likely to engage in those same types of customer-oriented behaviors themselves" (Kohli et al., 1990; Flaherty et al., 1999).

Siguaw et al., (1994b; p.107) argued that "the firm possesses the means of influencing the customer orientation of its sales force and is rational in expecting the sales force to behave and respond to customer needs in a manner that is congruent
with the firm’s market orientation. Therefore, it is reasonable to expect that the market orientation of the firm has a strong influence on the customer orientation of the sales force”. From the empirical aspect, Siguaw et al. (1994b) showed that there is a positive and significant relationship between market orientation and customer orientation. Also, Boles et al. (2001) reported the existence of a significant, positive relationship between a firm’s customer orientation and customer-oriented selling.

2.3 Customer Orientation and Individual Performance

A number of researchers have posited that the link between customer orientation and performance is relatively large (e.g., MacKenzie et al., 1993). In general, extant research has found a positive and significant relationship between customer orientation and sales performance (McIntyre et al., 2000; Boles et al., 2001; Brown et al., 2002). According to Williams et al. (1985, p.434), “Successful selling depends on successful interpersonal communication”. Salespeople who are able to communicate and interact with their customers better are more likely to score high on sales performance. Customer-oriented salespeople better understand and satisfy needs and wants of their customers. High customer satisfaction may result in customer loyalty, a high customer retention rate, or repeated sales.

2.4 Customer Orientation and Buyer-Seller Relations

A possible link between customer orientation and relationship development has been explored by only a few studies (e.g., Berry, 1983; Groonroos, 1990; Martin et al. 1991; Biong, 1994; Berry, 1995; Bennett, 1996, Tzokas et al., 1996; Williams et al.,1996; Barnes, 1997; Payne et al.,1997; Daskou, 1997; Baker et al., 1999b; Beaverland, 2001). Williams et al. (1996, p.39) argued that “individual sales representative scan positively affect the organization’s performance by utilizing a customer-oriented approach in establishing and maintaining relationships with customers”. Williams et al. (1996) argument suggests the existence of a positive connection between a customer-oriented approach and the establishment and maintenance of good relationships with customers. Moreover, Rust et al., (1996; p.391) indicated that “personal interaction component of services is often a primary determinant of the customer's overall satisfaction”. If the employee’s interaction
with customers is characterized as being customer-oriented or customer-focused. Overall customer satisfaction may be achieved. In turn, better customer satisfaction may lead to better long-term relations with customers. Empirically, Williams et al. (1996) found out that there is a positive and significant relationship between the salesperson's customer orientation and the development of buyer-seller relationship. Macintosh et al. (1992; p.23) claimed that "empirical evidence of the antecedents and process of relationship development is practically non-existent". Narver et al. (1990) say customer orientation is the sufficient understanding of one's target buyers to be able to create superior value for them continuously. Customer orientation culture suggests that a firm concentrates on providing products and services that meet customer needs (Day et al., 1983; Dean et al., 1994; Noble et al., 2002). Schneider et al. (2006) argue that customer orientation requires a continuous positive disposition towards meeting customers' exigencies and therefore a high degree of concern for these customers. While Schneider and Bowen (1993) suggest that customer orientation culture is nurtured through regular supply of customer information about their needs so as to be able to design and deliver good products. Customer orientation as a component of market orientation has its fundamental thrust in pursuit of putting customers at the center of strategic focus (McEachern et al., 2005; Hanzaee et al., 2011). A customer-oriented culture involves excellence in customer interactions, market and customer familiarity and an emphasis on cooperation (Deshpande et al., 1993). Ang et al. (2006) put forward a framework for auditing a customer orientation profile, which achieves definition, sensibility, measurement, and implementation. They define it as a process of putting customers at the heart of an organization that is, having the appropriate vision of customers and their needs; a phenomenon that makes the organization to see itself through the eyes of the customers.

2.5 Organizational-Level Customer/Market Orientation

Despite the amount of customer orientation research (Sax et al., 1982; Brown et al., 2002; Donavan et al., 2004), the question of how customer orientation influences perceived organizational performance from the customer's perspective is under review. Customer orientation is the sufficient understanding of target buyers to be
able to continuously create superior value for them (Awwad et al., 2011; Hanzaee et al., 2011). Customer orientation is viewed as a desire by an employee to help customers meet their needs during the performance of organizational task (Jayawardhena et al., 2011). Brown et al. (2002, p. 111) defined customer orientation as an "employee's tendency or predisposition to meet customer needs in an on-the-job context." They found that customer orientation was influenced by deeper personality traits and, in turn, influenced worker performance. This perspective is consistent with traditional views of personality. For example, Pervin et al. (1997, p. 4) define personality as the "characteristics of the person that account for consistent patterns of feeling, thinking, and behaving (Donavan et al., 2004). Mc Eachern et al. (2005) define customer orientation as a component of market orientation that focuses on putting the customers at the centre of strategic focus. Kotler (2004) emphasizes the need for organizations to move from the level of studying customer segments to shaping separate offers, services and messages to individual customers. Hence such firms may need to collect information on each customer's past transactions, demographics, psychographics, and media and distribution preferences. And they would hope to achieve profitable growth through expenditures by building high customer lifetime value. He further asserts that the ability of a company to deal with customers, one at a time has become practical as a result of advances in factory customization, computers, the internet and database marketing software. Nakata et al. (2006) assert that customer orientation encompasses the analysis of customers' needs, and responsiveness of organization to such needs. But some salient questions have been raised concerning whether customer orientation actually translates to better performance (Ang et al., 2006; Avnet et al., 2006; Hanzaee et al., 2011). Day (1994) defined customer orientation as a concept which transforms marketing into a potent competitive weapon, shifting organizational values, beliefs, assumptions, and premises towards a two-way relationship between customers and the firm.

Customer orientation has been a part of the important stages of modern marketing's evolution. This evolution is characterized by four distinctive eras by some marketing texts (e.g., Berkowitz et al., 1994). These eras include, in chronological order, the Production Era, the Sales Era, the Marketing Concept Era, and the Market Orientation Era (Berkowitz et al., 1994; Wilkie et al. 2003). This periodization
framework is widely acknowledged by scholars. According to this well-known framework, the first era, the Production Era, is commonly extended from about 1870 to 1930. The major emphasis of management in this era is on production rather than distribution (Fullerton, 1988). This era gave very little attention to marketing (Fullerton, 1988). The Production Era was followed by the Sales Era in 1930s. In this era, personal selling was backed by research and advertising (Webster, 1988). Until the mid-1950s, “marketing” was seen as “selling”. Under this conventional view of marketing, it was believed that greater sales volume was the key to profitability. The main focus was on products, not on customers (Webster, 1988). In 1950, the Marketing Concept Era which is based on customer orientation started (Webster, 1988) and it proved to be more profitable (Webster, 1988).

Customer orientation is one of the foundational elements of the marketing concept. According to Bell et al. (1971), the marketing concept consists of the three dimensions which are customer orientation or customer focus, integrated effort, and profit direction or market-driven. The last era is the Market Orientation Era which starts in the 1980s and lasts to present time. Since market orientation is accepted as the implementation of the marketing concept (Kohli et al., 1990), customer orientation has also been an integral part of a market orientation.

2.6 Customer Orientation: Various Perspectives

Shapiro (1988) attempted to delve into the issue of “whether there is a difference between being market driven and customer oriented or customer driven and market oriented or whatever” and since then, several authors have used and discussed customer orientation and related concepts (e.g., Deshpandé et al., 1993; Heiens, 2000; Thurao et al., 2003). However, the vocabulary used in discussing customer orientation is still as multifarious as it was decades ago, and no consensus has been reached with regard to the conceptual understanding of the construct. Market orientation was characterized by the three dimensions which are (1) customer orientation, (2) competitor orientation or focus and (3) cross-functional coordination.

From the behavioral/ activities/ process perspective, Kohli et al., (1990, p.6) described market orientation as follows: “Market orientation is the organization-wide generation of market intelligence pertaining to current and future customers.
needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it". Market orientation consists of the three dimensions which are (1) intelligence generation, (2) intelligence dissemination, and (3) responsiveness (Kohli et al., 1993).

Both the marketing concept and market orientation have been mainly studied at the organizational level in the literature. The effect of market orientation on organizational performance has been widely investigated by scholars in different business contexts (e.g., Narver et al., 1990; Kohli et al., 1990; Jaworski et al., 1993; Baker et al., 1999a; Matsuno et al., 2000; Voss et al., 2000). This effect was mostly positive and significant (Narver et al., 1990; Deshpande et al., 1993; Jaworski et al., 1993; Han et al., 1998).

It would be fair to say that the antecedents, consequences, and/or effects of the organizational-level customer/market orientation have been relatively well-documented compared to those of the individual-level customer orientation. The previous organizational-level market orientation research showed that market orientation may lead to a number of individual-level favorable outcomes such as: enhanced employee esprit de corps and organizational commitment (Jaworski et al., 1993, 1996), customer orientation, role stress, job satisfaction, and organizational commitment of salespeople (Siguaw et al., 1994b; Jaworski et al., 1996). Employee consequences of a market orientation have received a very limited attention from researchers (Jaworski et al., 1996).

2.6.1 Culture versus Behaviour: In the literature, two alternative, yet related perspectives are prevalent regarding the conceptual nature of customer orientation. The first perspective interprets customer orientation as a cultural phenomenon. For example, Deshpande et al. (1993, p. 27) speak of customer orientation as "the set of beliefs that put the customer first". Similarly, Slater et al. (1995) stress customer orientation (or market orientation) as being a cultural variable that provides norms for organizational actions.

A second stream of research sees customer orientation as a behavioural construct. Kohli et al. (1990, p. 6) define customer orientation as "the organization wide generation of market intelligence, dissemination of the intelligence across departments, and organization wide responsiveness to it". Here, the focus is not on the organization's values and predispositions, but on its activities (see also Shapiro, 1989). However, although rarely mentioned in the literature on customer orientation, both perspectives can actually be linked when the character of organizational culture is seen as a necessary antecedent of related behaviours.
Motivational force under expectancy theory is a function of the perceived likelihood that a behavior will result in specific outcomes and the desirability of those outcomes (Oliver 1974). In general terms, expectancy theory predicts that even when employees believe that they can perform the behavior (i.e., expectancy), they will not be motivated to do so unless doing so will result in the attainment (i.e., instrumentality) of some valued (i.e., valence) intrinsic or extrinsic reward. More properly and in the context of customer service adaptive behavior, the expectancy component is an employee’s estimate of his or her ability to adapt or customize the service, the instrumentality component is the employee’s estimate that adapting will result in the attainment of some reward, and the valence component is the desirability of that reward (Gwinner, 2005; Thurao et al., 2003).

2.6.2 Structure versus Personnel: Furthermore, a firm’s customer orientation can be differentiated with regard to the broad range of activities necessary for fulfilling the customer’s wishes and demands. When it comes to identifying the main drivers of overall or company wide customer orientation, organizational structures and processes, as well as employee’s activities with regard to customers, play a key role, as do such things as the firm’s core goods and services, its logistics and the leadership style within the organization (e.g., Slater et al., 1995). In the context of organizational structures and processes, a number of authors see the company’s information generation and distribution systems, as well as the customer-related decision processes, as critical for the development of a strong customer orientation (Saxe et al., 1982; Shapiro, 1989; Kohli et al., 1990; Thurao et al., 2003; Thurao, 2004; Hanzae et al., 2011).

Employees can basically be divided into back-office employees and front-office employees (i.e. boundary-spanning personnel, see Bowen et al. (1985), or customer contact employees, see Hartline et al., (1996). The former group has an indirect impact on customers’ quality perceptions while the latter have a direct, non-mediated impact. In the context of this study, it is interesting to note that the behaviour of service employees is often stressed as being crucial for customer satisfaction and a high service quality (e.g., Bitner et al., 1990), but is generally neglected in references to the concept of customer orientation. The performance of service employees can indeed be seen as crucial for customer satisfaction and perceived service quality. Donabedian (1980) posits that it is especially so in those services where a high degree of interaction exists; where the process dimension (i.e. the service encounter) plays an important role relative to structural and (particularly) outcome aspects (e.g., hairdressers, therapists). For these services, the “interaction is the service from the customer’s point of view” (Bitner et al., 1990, p. 71). Therefore, as also observed by several researchers (e.g., Saxe et al., 1982; Shapiro, 1989; Kohli et al., 1990; Heskett et al., 1994; Thurao et al., 2003; Thurao, 2004; Hanzae et al., 2011), the development of a sophisticated understanding of the customer orientation of service employees might help service firms to increase the quality of their service, thereby contributing to an increased degree of customer satisfaction and customer loyalty/retention.
2.7 Conceptualizing Customer Orientation

Market or customer orientation was conceptualized by both Kohli et al. (1990) and Narver et al. (1990). Their conceptualizations are well-known and acknowledged by researchers. Both conceptualizations include an element which requires all of the firm’s employees to focus on needs, wants, and preferences of their customers. These sub-dimensions were referred to as customer orientation (Narver et al., 1990) and market intelligence generation (Kohli et al., 1990). Either of these alternative dimensions is the key to a strong market orientation in an organization. Broadly, market orientation or customer orientation is concerned with the processes and activities associated with creating and satisfying customers by continually assessing their needs and wants, and doing so in a way that there is a demonstrable and measurable impact on business performance (Uncles, 2000).

2.7.1 The Two Conceptualizations: At an operational level, Narver et al. (1990) propose that market orientation comprises three behavioral components – customer orientation, competitor orientation and inter-functional coordination – and two decision criteria – long-term focus and profitability. Kohli et al. (1990), on the other hand, define market orientation as responsiveness to information concerning customers and/or competitors, and its effective generation and dissemination. Though the relative merits of these approaches and the degree of overlap between them are subject to debate, (e.g. Kohli et al., 1993; Pelham, 1993; Siguaw et al., 1994a; Farrell et al., 1997; Oczkowski et al., 1998), their value lies in defining market orientation in terms of specific activities that organizations should undertake (Pulendran et al., 2000). Without a doubt, if a company is to survive and grow in the Darwinian market place of modern India, it becomes altogether necessary that all of its activities are oriented towards the market. That is, it should remain in constant touch with its customers, competitors, other stakeholders and the broad environment in which it operates, and should formulate an organization-wide response to any developments. However, a market orientation will not develop by itself. Antecedent preconditions include top management’s emphasis (Felton, 1959; Levitt, 1969; Hambrick et al., 1984; Webster, 1988; Kohli et al., 1990; Jaworski et al., 1993); top management’s attitude to risk (Deshpande et al., 1989; Kohli et al., 1990; Jaworski et al., 1993); interdepartmental conflict (Dutton et al., 1966; Pondy, 1967; Raven et al., 1970; Kohli et al., 1990; Jaworski et al., 1993); interdepartmental connectedness (Blake et al., 1964; Lawrence et al., 1967; Stern et al., 1980; Deshpande et al., 1982; Kohli et al., 1990; Jaworski et al., 1993); and performance appraisal (Hopwood, 1974; Lawler et al., 1976; Anderson et al., 1985; Webster, 1988; Jaworski et al., 1993). All of these may promote or hamper market-oriented activity. It becomes a top priority to manipulate these factors to take the company to the positive end of the market-orientation continuum. The need to become market oriented assumes paramount importance for companies operating in a developing country such as India, where competition and the environment are becoming global and complex and customers more and more demanding day by day (Aggarwal et al., 2004).
2.7.2 Similarities between the Two Conceptualizations: Despite the differences, the similarities between these two conceptualizations are also noteworthy. For example, each focuses on the customer as the core component of the definition; both entail an external orientation (a focus outside organizational boundaries); each acknowledges the importance of being responsive to customers; both acknowledge that market orientation is more than a focus on just the customer. Moreover, in a later review of the market orientation literature, Jaworski et al., (1996) suggest a shift towards the Narver et al. (1990) definition. Hooley et al. (2000) observed that the conceptualization and measure of the Narver et al. (1990) scale is both conceptually and operationally appealing because it encapsulates the main aspects of the Kohli et al. (1990), intelligence gathering, dissemination, and responsiveness constructs while at the same time assessing cultural factors. This, it is argued, marks a shift towards a conciliation and integration of the two conceptualizations.

There have been notable efforts in the marketing literature to formalize definitions of customer orientation (e.g. Saxe et al., 1982). Customer orientation has also been seen as synonymous with a business philosophy loosely called the marketing concept, which holds that, "the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors" (Kotler, 2000).

2.8 The Marketing Concept

A market-oriented firm is one which successfully applies the marketing concept (Kohli et al., 1990; Pitt et al., 1996; Caruana et al., 1999). The marketing concept, in turn, holds that the key to organizational success is through the determination and satisfaction of the needs, wants and aspirations of target markets. These must be pursued more effectively and efficiently than by competitors. In other words, the marketing concept states that, if a business is to achieve profitability, the entire organization must be oriented towards satisfying customers' needs, wants, and aspirations. Gronroos (1991) suggests a strong information system especially in the case of those "in relationship marketing situations". The work of Jaworski et al. (1993) work, which followed suggestions by Churchill (1979), utilized the market intelligence-related activities of their definition to develop an information-instrument system for measuring market orientation (Osuagwu, 2006).

2.8.1 The Old and New Marketing Concepts: Market orientation has been widely accepted by scholars and academics as the implementation of the marketing concept, and marketing concept has been classified into two, the "old" marketing concept and the "new" marketing concept (Malin Brännback, 1999). According to Gunay (2002), while the "old" marketing concept is concerned with customer-
orientation, innovation and profit as an inducement for creating satisfied customers/clients (i.e. a management philosophy), the “new” marketing concept is more than a philosophy; it is a way of conducting business (i.e. a kind of business culture). The new marketing concept comprises customer or client orientation, market intelligence (data and information), distinctive advantages, value or quality delivery, market targeting and value proposition, customer/client-defined total quality management (TQM), continuous improvement in goods and services, customer/client-oriented business culture in the whole organization, and coordinated and integrated business activities in the whole organization tailored towards achieving better efficiency and effectiveness than competitors.

It is possible to plot the evolutions on a time scale as in Fig. 2.1 (Malin Brännback, 1999). However, the borders between a production-oriented era and a customer-oriented era are not very clear, in reality they tend to float over each other, as has been pointed out by a number of researchers (e.g., Day 1998, Dalgic, 1998). For instance, McCarthy (1960) spoke of a marketing concept as a new philosophy contrasting the old production-oriented philosophy as early as 1960, but this was on a conceptual basis, it is not the same as the acceptance of a concept in practice. The new philosophy was labeled marketing-oriented (McCarthy, 1960). Felton (1959) called the marketing concept a “corporate state of mind”. In McCarthy’s marketing concept the objective was for the firms to focus all its efforts on satisfying its customers, at a profit. The marketing concept held three basic elements: (i) customer orientation, (ii) an integrated company effort, and (iii) a profit-goal rather than just a sales-goal. In order to implement the marketing concept it most likely would require changes in managerial attitudes as well as in methods and procedures, and organizational structures. McCarthy argued that changes would be necessary in all of these areas. It is my conviction that it has taken almost four decades for managers to understand that customer-orientation is not some departmental activity but a philosophy, which has to be disseminated through-out the company and it has to become part of the corporate culture. McCarthy introduced the marketing-mix as a tool for achieving the marketing-oriented philosophy in practice and this was to become the dominating paradigm of the field to this day.

Kotler (1967) followed the same line of thought and launched what he called the new marketing concept. Kotler acknowledged that in reality marketing may officially stand at the end of the assembly lines, and there for he stated, in 1967 (p.3) “but unofficially its influence must be felt on the drawing boards.” According to Kotler, the “old” marketing concept was a sales concept paying very little, if any, attention to satisfying customer needs. Moreover, the fact that this required the coordination of several activities, which at that time tended to reside in departments of their own within organizations (advertising, marketing research, personal selling, etc.), was not quite realized either. In other words Kotler pointed at what McCarthy some years earlier had called a lack of unified focus (McCarthy, 1960).

The “new” marketing concept reversed the logic of the old one to some extent. In the old concept the company started from its own existing products and thought of ways to increase sales. In the new concept the company starts with the customer (existing and potential) and works its way back into the company asking what products - or better yet – what solutions are necessary for satisfying the needs of
those customers. Thirty years later in the context of Internet business, Sterne (1996, 1998) speaks of the need for organizations to put on their "customer glasses" and try to imagine what the customer sees and perceives.

Fig. 2.1: Evolution of Marketing Concepts on Time Scale

Source: Adopted from Malin Brännback (1999)

2.8.2 The Service Marketing Concept: The service marketing concept (Grönroos, 1989, 1989, 1996, Zeithaml et al., 1996) was a result of criticism of the traditional marketing-mix paradigm, but also from realizing that services are inherently different from products. Services cannot be stored, they are produced and consumed simultaneously, they are generally intangible, and they are heterogeneous. The last characteristic refers to the fact that the quality of the service will be dependent on employee satisfaction and that there is rarely a guarantee that there is a match between what has been promoted and the actual outcome (Zeithaml et al., 1996).

The relationship marketing concept grew out of a primary interest in the buyer-seller relationship where customer perceived value was seen as a result of interaction between personnel and customers but where a group of researchers realized that the service marketing concept was applicable in industrial marketing context for studying business relationships (Grönroos, 1996). Furthermore, the relationship marketing concept distanced itself from the traditional marketing-mix paradigm (Grönroos, 1994, 1996), arguing that the traditional marketing-mix directed critical attention away from the most essential – the customer. Day (1998, p. 2) argues that “Even firms with first-class technologies and business systems have only the necessary conditions for success; unless they have superior skills in understanding, satisfying and retaining customers they will not realize their full potential.”
2.9 Perception of Service Quality by Customers

A service is a process that leads to an outcome during partly simultaneous production and consumption processes (Groenroos, 2001). Service quality is the great differentiator; it gets and keeps the customer’s attention (Berry et al., 1990). According to Groenroos (1984) and Parasuraman et al. (1985, 1991), the traditional approach for defining service quality emphasizes that service quality perception is a comparison of consumer expectations with actual performance. Chia et al. (2002) simplified the definition of service quality as a comparison between consumers' expectations and their perceptions of the service they actually receive.

Many studies on TQM implementation and its effect on performance have been published, but the sample of companies targeted showed that manufacturing companies have been surveyed to a greater extent compared to the service sector (Sila et al., 2002). This may be because TQM has its origin in manufacturing related organizations (Brah et al., 2000) as well as the assessment and measurement of quality management in services may seem more difficult because of the intangible nature of services (Parasuraman et al., 1985).

Juran (1982) classified the measurement of quality in a service organization along two dimensions: internal and external. Internal measurement is to measure the internal process, while external measurement is to measure the quality of products or services based on customer satisfaction. The main yardstick of performance in quality for service organizations is external customer satisfaction. According to him in providing preliminary feedback of an organization’s quality improvement an internal climate survey could be utilized, which refers to employees’ and managers’ perceptions, about their organization and work units along several dimensions.

Among the various concepts on service quality, two of the most widely accepted and used by researchers is the SERVQUAL model by Parasuraman et al. (1988) and the Technical/Functional Quality framework by Gronroos (1983, 1990). Parasuraman et al. (1985) proposed a conceptual framework of service quality based on the interpretation of qualitative data from extensive explanatory research performed in four service businesses. SERVQUAL instrument by Parasuraman et al. (1988) included two 22-item sections. The intent is to measure customer expectations for
various aspects of service quality and customer perceptions of the service they actually received from the local service organization (Lassar et al., 2000).

In the context of service quality research, it has been demonstrated that the behavior of service employees affects the customers' perception of the service (Bitner et al., 1990). Specifically, researchers have identified employee-related aspects of the service as dimensions of the customer’s service quality assessment. For example, three out of five service quality dimensions of Parasuraman et al.'s (1988) SERVQUAL measure directly or indirectly address the behavior of employees (i.e. responsiveness, assurance, and empathy). Similarly, Dabholkar et al. (2000) identify personal attention and comfort as provided by a provider’s employees as components of service quality. However, as the service quality construct represents a customer-sided view, it is a natural consequence that none of these authors uses a company perspective when modeling the different facets of employee behavior that impact service quality. Therefore, a service provider gains only limited information on the managerial action that is needed to select and train their service employees.

The SERVQUAL instrument has been used widely all over the world but it cannot avoid criticisms. Many researches conducted in a variety of settings suggest that the five SERVQUAL dimensions may not be universal for all services and that it is probably unnecessary to administer the expectation every time SERVQUAL is administered (Carman, 1990; Parasuraman et al., 1991; Babakus et al., 1992). Apart from expectations-performance methodology by Parasuraman et al. (1988), Cronin et al., (1992) claimed that a psychometrically superior assessment of service quality could be obtained through the SERVQUAL performance items alone. According to Lassar et al. (2000), recent researchers have started integrating other constructs and measures along with the SERVQUAL dimensions in order to extend and improve the explanatory power of this model.

Gronroos (1983) has his own functional/technical model of service quality which has two-dimensions viz. technical quality, and functional quality. In this model, he explained that technical quality entails what is provided and functional quality takes into account how it is delivered. He also suggests that service quality is dependent on two variables, the consumers’ expectations of what the outcome will be, and the consumer’s perception of the actual result (Dotchin et al., 1994). Gronroos (1984) and Dotchin et al. (1994) indicated that functional quality will compensate for
temporary problems with technical quality but will not make up for an overall lower quality level. This means that as far as services are concerned, if technical quality is at least satisfactory, then functional quality is the important factor of consumer perceptions. Meanwhile, where technical quality is very similar among firms, functional quality is an important means of differentiation.

The two dimensions of service performance (technical and functional quality) are compared to the customers' expectations and eventually the customer has their own service quality perceptions (Chia et al., 2002), which consists of service culture and service process. Gronroos' model has received a lot of attention recently even though it has not been utilized or tested to the extent of the SERVQUAL model. Lassar et al. (2000) in his study on service quality perspectives and satisfaction in private banking concluded that technical/functional quality based model of service quality is better suited as compared to the SERVQUAL based model in predicting customer satisfaction when customers are actively involved or highly interested in service delivery.

2.10 Forms of Market/Customer Orientation

Different researchers have attempted to study various forms of market orientation. One of the earliest, by Hooley et al. (2000), explored marketing typologies. In contrast to many of the studies in this field, it adopted a grounded approach to elucidate "what marketing means to practitioners". The researchers identified four clusters, and found significant differences between the organizational systems, strategies and performance among them. In a survey of the UK manufacturing sector, Lui (1996) found that just over a third of companies considered themselves to be market oriented. Other orientations reported included production, selling, product and competitor. In contrast, Greenley (1995a) finds similar clusters of market orientation forms, but concludes that environmental conditions do influence the effectiveness of market orientation (Harris et al., 1999). Despite the clear contribution of this research, a number of important limitations can be identified. First, the extant literature on market orientation forms explores neither the drivers nor the emphasis of the different dimensions within these forms. Second, the uni-dimensional perspective of market-orientation focuses on a single differentiation
characteristic. In each of these studies, market orientation is conceptualized as a continuum (not just a dichotomous concept). This leads to challenges in the interpretation of findings. Third, as with the Harris et al. (1999) study, many of these studies have focused on a single industry. Finally, the conceptualizations have been developed out of a single literature. This appears particularly limiting, considering the contributions made in the organizational culture and strategy literature. Thus, existing studies fail to provide a comprehensive analysis of potential distinguishing behaviors, cultures, structures, strategies or environment characteristics related to different market orientation forms. Therefore, any new findings that can improve our understanding and application of the marketing philosophy would be both valuable and useful. Such insights should be drawn from a holistic perspective.

2.11 Market Orientation: The Impact

In the marketing literature, the impact of a firm's customer orientation on its long-term economic success is largely undisputed. The concept of customer orientation has thus developed into one of the main fields of marketing research. The idea behind customer orientation - which is closely related to the fundamental thinking behind marketing itself (e.g., Kotler, 1972) - is that a company has to address the needs and wishes of its customers adequately in order to ensure that they will buy the company's products and services, experience a high degree of satisfaction with these goods and services, and then become loyal customers of that company. Although it is rarely made explicit in the literature, customer orientation can be seen as a main fundament of the relationship marketing concept (Thurau et al., 2000; Thurao et al., 2003; Thurao, 2004). Previous research has established the positive impact of a firm's market orientation on employees' esprit de corps (Jaworski et al., 1993; Shoham et al., 2001; Rose et al., 2002). Market orientation provides employees with a sense of belonging, direction, and feelings of contributing towards satisfying customer needs, thereby leading to greater esprit de corps. Kohli et al., (1990) suggested that their use of esprit de corps is similar to the teamwork concept in a services marketing context (Zeithaml et. al., 1988). Market orientation provides psychological and social benefits to employees and enhances esprit de corps and teamwork. Moreover, market orientation was the strongest predictor of the seven antecedents of esprit de corps tested by Jaworski et al. (1993).
Market orientation is a positive driver of organizational commitment. By providing team spirit, it can enhance employees' pride, which, in turn, should increase their commitment to the firm. Dubinski et al. (1986) emphasized the importance of salespeople's socialization, which can enhance workers' understanding of their role definition and provide an understanding about the tasks to be performed. In combination, these benefits should enhance employees' task-specific self-esteem and help resolve conflicting job demands. Role definition should increase job involvement and organizational commitment (Dubinski et al., 1986).

A well-developed market orientation can serve as initiation and socialization mechanisms for the workforce, thereby enhancing organizational commitment indirectly. Market orientation helps firms track and respond to changing customer needs; hence, high-market orientation firms should outperform low-market orientation firms. Three theoretical approaches (an evolutionary perspective, an industrial organization approach, and a resource-based-view of the firm) underlie the expected positive market orientation-to-performance link. The evolutionary perspective (Lusch et al., 1987) argues that organizational characteristics that made a firm fit its environment become a part of its future evolution only when replicated. Market orientation provides an organization with a winning philosophy in the face of intensifying competition. Thus, it will be selected because it increases the probability of an organization's survival. Lusch et al. (1987) found that the link between the marketing concept and organizational performance was positive and significant. Industrial organization theory provides additional justification for the market orientation-to-performance link (Knight et al., 2000). Firms manage their relationship with the environment to maximize performance (Scherer et al., 1990). The differential firm resources give rise to superior strategy and performance (Wernerfelt, 1984; Barney, 1991; Porter, 1991). Prahalad et al. (1990) described core competencies as the collective learning of an organization. By enhancing market orientation, it is possible to enhance the core competencies of a firm. Market orientation might also impact performance indirectly (through its behavioral consequences).

Unfortunately, previous market orientation research has not focused on the potential of its behavioral outcomes (organizational commitment and esprit de corps) to affect performance. These links are important because the impact of market orientation on
performance may be direct, as hypothesized and documented previously, but it may also be indirect, through its behavioral outcomes. An advantage of the meta-analysis used here is that it makes it possible to test such indirect impacts. Committed employees are less likely to be absent from work or to resign from their firm (Steers, 1977), are more likely to go beyond required norms to contribute to the attainment of organizational goals (Steers et al., 1979), are willing to give of themselves for the general wellbeing of the organization (Mowday et al., 1982), and are more likely to remain members of the organization (Porter et al., 1974; Dunham et al., 1989; Tett et al., 1993; Cohen, 1993; Somers, 1995). Similarly, less committed employees are less willing to share and sacrifice for the organization (Randall et al., 1990). Bloemer et al. (1998) hypothesized a relationship between organizational commitment and customer loyalty, enhancing performance.

In the context of professional associations, Gruen et al. (2000) hypothesized and documented that organizational commitment enhances retention, participation, and co-production. Organizational commitment may also enhance sales force performance leading to higher organizational performance (Michaels et al., 1988) since committed employees are likely to identify with their work (O'Reilly et al., 1986). Grant et al. (1999) found that high organizational commitment resulted in higher sales, market share, and customer satisfaction (Mason et al., 2006). Deshpande et al. (1993) challenged both conceptions. They see market orientation as being synonymous with customer orientation, being distinguishable from competitor orientation. Putting customer interests first is the central part of their definition of customer (market) orientation and they argue that competitor orientation can be almost antithetical to customer orientation when the focus is more on the strengths of the competitor than on the unmet needs of the customer. This view is consistent with other authors from the marketing and strategic management field. They emphasize a need for a strategic focus on the customer (Martin et al., 1991; Ruekert, 1992; Bengt, 1993; Day, 1994; Doyle et al., 1998).
2.12 Customer/Market Orientation in Strategic Management Literature

Given that the concept of market orientation is deeply embedded in the strategic intent of the organization, the strategic management literature has much to contribute to our understanding of the potential influences on market orientation forms. It identifies two categories of environmental influences that appear pertinent, intra- and extra-firms, which have important implications for the likely manifestation of the marketing philosophy. The former are concerned with the internal environment of the firm and are generally regarded as manageable; the latter emerge from beyond the boundaries of the firm. The general marketing literature recognizes culture as being fundamental to the conceptualization of market orientation (Deshpande et al., 1989).

In the strategic management literature, corporate culture represents an intra-firm perspective of environmental influencers. For example, Whipp et al. (1989) consider how corporate culture might be altered, and examine the links between corporate culture, strategic change and competitive performance. Recognizing the pluralistic nature of culture, they suggest it to be correspondingly difficult to change. They conclude that core beliefs and values held by members of an organization, which lend meaning to their environment, have a number of distinctive characteristics. In this way, multiple manifestations of culture are likely to result in multiple manifestations of market orientation, dependent on the micro-level influencers within the firm (Deal et al., 1982; Barney, 1986; Garvin, 2004). An alternative approach to intra-organizational environmental influencers was adopted where the relationship between the vision and strategy of an organization's founder and the strategy of subsequent managements was examined. They concluded that the strategic legacy created by founders plays a critical role in the development of organizational culture and strategy. Thus, environmental factors appear to influence corporate cultures and, in this way, multiple manifestations of strategic implementation.

As market orientation is concerned with the collection and dissemination of market information to inform strategy development, the implications is that these extra-firm factors are likely to influence future manifestations of market orientation. An extra-firm perspective of environmental influencers can be found in the strategic management literature at the industry level, through the phenomenon of strategic
legacy (Spender, 1989; Scherer et al., 1990; Abrahamson et al., 1994). For example, Abrahamson et al., (1994) conclude that business networks both induce and reflect the existence and persistence of more or less homogeneous, industry-level macro-cultures (Dutton et al., 1987; Van de Ven et al., 1992). In turn, those increase the level of inertia these organizations experience. That is, industry-level macro-cultures influence the inventiveness of organizations and the diffusion of innovations among them. In this way, they increase the similarity of member organizations’ strategic profiles.

It can be suggested that the industry sector to which a firm belongs is likely to influence the emphasis that industry places on any single dimension of market orientation (Gordon, 1991; Sparrow et al., 1996; Weber, 1996). The existence of a common industry culture suggests the possibility that market orientation forms will vary by industry sector. Chatman et al. (1994) found that stable organizational cultural dimensions existed, and varied more across industries than within them. They explain that firms in similar industries may face constraints on how distinct their cultures can actually be, and thus on the extent to which culture can be used as a source of competitive advantage. In their discussion of corporate culture Whipp et al. (1989) suggest that a powerful agent of change affecting company culture is the sector within which a firm operates. Yet, in spite of its potency, an industry culture is even less amenable to change than corporate culture. Since the sector culture is so often a collective expression of the dominant beliefs of its constituent’s cultures, the difficulties are multiplied. It therefore appears likely that an industry sector that does not have a typically market oriented culture is likely to spawn a specific form of market-oriented firm. The extant literature presents empirical evidence to support the theory that both intra and extra-firm factors influence organization ideologies and their consequent manifestation. Therefore, we suggest that market orientation will emphasize different dimensions, dependent on specific intra- and extra-firm influencers (Blankson et al., 2006).

### 2.13 Relationship Orientation

A relationship orientation implies that the focus of marketing is on retaining customers by maintaining and strengthening win-win relationships over time (Berry,
1983; Groenroos, 1990; Martin et al., 1991; Biong, 1994; Berry, 1995; Bennett, 1996, Tzokas et al., 1996; Payne et al., 1997; Barnes, 1997; Daskou, 1997; Baker et al., 1999a & b; Beaverland, 2001). This approach implies that relationships are more likely to develop in situations where the customer comes in more frequent contact with the service provider (Crosby et al., 1990; Barnes, 1997; Doney et al., 1997; Bove et al., 2000), where the service is continuously delivered over an extended time period (Berry, 1995; Bennett, 1996) and where the customer perceives the relationship to be important (Ward et al., 1997).

There are a number of underlying assumptions inherent to relationship marketing, including: a relationship can be formed with all customers, in all service situations, suggesting that all organizations should partake in relationship development; Relationship strength will increase as the duration of the relationship increases; the more frequent contact consumers have with a particular service provider the greater the opportunity for the relationship to strengthen; that customer demographic characteristics impact on relationship strength; and that relationship strength will increase more if the customer places greater importance on such relationships. Although reiterated throughout much of the relationship marketing literature empirical support for these assumptions is lacking (Williams, 1990).

2.14 The Link between Market Orientation, Sales Growth and Profitability

Since the conceptualization of market orientation in the 1990s (Kohli et al., 1990; Narver et al., 1990), the tenet has continued to be a central focus of attention in the marketing and management literature (Perry et al., 2002; Pulendran et al., 2003; Verhees et al., 2004). Much of that interest can be attributed to the link between market orientation, sales growth and profitability (Greenley, 1995b; Harris, 2001; Hooley et al., 2003). These findings have ensured that the construct remains of significant interest to marketing scholars and commentators, from both a strategic and operational perspective. Siguaw et al. (1998) observed that different firms adopt different “forms” of market orientation.

However, despite a number of useful contributions to our understanding of market orientation, it is perhaps surprising that the emphases placed on different dimensions
of market orientation have yet to be systematically studied. Specifically, little attention has been paid to the environmental factors that may contribute to the development of particular orientation emphases (Harris et al., 1999). One notable exception is the work of Greenley (1995b) who’s quantitative study identified performance differences between five market orientation forms but no significant difference between the market environments that they were associated with. However, as Day (1999), observes, there are practical limitations to this quantitative approach. This, together with the increasing recognition of the complex nature of market orientation, suggests that there may well be value in re-visiting the field from a qualitative perspective.

2.15 Customer Satisfaction

Kotler (2000) defined satisfaction as “a person’s feeling of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome) in relation to his or her expectations”. Hoyer et al. (2001) said that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight. There are many factors that affect customer satisfaction. According to Hokanson (1995), these factors include friendly employees, courteous employees, knowledgeable employees, helpful employees, accuracy of billing, billing timeliness, competitive pricing, service quality, good value, billing clarity and quick service (Thurao et al., 2003; Thurao, 2004).

In order to achieve customer satisfaction, organizations must be able to satisfy their customer’s needs and wants (La Barbera et al., 1983). Customer’s needs state the felt deprivation of a customer (Kotler, 2000) whereas customer’s wants refer to “the form taken by human needs as they are shaped by culture and individual personality”. Customer satisfaction is important because, according to La Barbera et al. (1983), “satisfaction influences repurchase intentions whereas dissatisfaction has been seen as a primary reason for customer defection or discontinuation of purchase”. Thus, customer satisfaction is very important though it does not guarantee repurchase on the part of the customers but still it plays a very vital part in ensuring customer commitment and retention.
Customer satisfaction has been studied extensively in the field of marketing (Oliver, 1980; Fornell, 1992; Anderson et al., 2004; Hanzaee et al., 2011). The role of satisfaction in predicting behavioral intentions is well established in the literature (Cronin et al., 1992; Anderson et al., 1994; Zeithaml et al., 1996), with the majority of studies assuming that previous experience of transactional customer relationships is a primary determinant of repeated purchasing behavior. Ganesan (1994) found that long-term orientation is affected by the extent to which customers and vendors trust their “channel partners” (Appiah-Gyimah et al., 2011). It is one of the most commonly used customer-oriented metrics by managers because of its generic nature and its universal measurability for all the types of products and services (Gupta et al., 2006). In the traditional sense, satisfaction was considered to be transaction-specific construct which resulted from immediate post purchase judgment or affective reaction (Oliver, 1993). Customer satisfaction is also considered from a cumulative satisfaction perspective and is defined as customer’s overall experience to date with a customer satisfaction product or service provider (Johnson et al., 2001; Krepapa et al., 2003). Most of the customer satisfaction studies are now using this cumulative satisfaction concept (Gupta et al., 2006; Ganguli et al., 2011). The degree of overall pleasure or contentment felt by the customer, resulting from the ability of the service provider to fulfill the customer’s desire, expectations and needs in relation to the service. Customer satisfaction is a complex construct and has been defined in various ways (Besterfield, 1994; Barsky, 1995; Kanji et al., 2002; Fecikova, 2004; Dimitriades, 2006; Ganguli et al., 2011; Hanzaee et al., 2011). Recently, researchers have argued that there is a distinction between customer satisfaction as related to tangible products and as related to service experience. In service markets, customer satisfaction is often measured as the difference between service expectation and experience (Trasorras et al., 2009; Mysen et al., 2011). Satisfaction reflects, whether a consumer believes that the possession and/or use of a service evoke positive feelings (Jayawardhana et al., 2011).

Fornell et al. (1996) found that service firms have significantly lower customer satisfaction scores than manufacturing firms. Their study also revealed that satisfaction is more quality-driven than price-driven in service markets. Expectations play a significant role in customer satisfaction. Jones et al. (2003, p. 11) stressed
that, "when expectations are met or exceeded, customers report higher levels of satisfaction. Therefore, an important step in managing customer expectations is creating realistic expectations." Ranaweera et al. (2003, p. 82) add that "it is a held belief that the more satisfied the customers are, the greater is their retention." Fecikova (2004) believes that the key to organizational survival is the retention of satisfied internal and external customers. She proposed that we need to measure satisfaction to manage it effectively. Fornell et al. (1987) stated that there will always be some customer dissatisfaction due to a variety of causes (including, at least for certain types of products, customer desire for variety). According to Zahorik and Rust (1992), satisfaction has long been recognized as an important construct in models of buyer behavior and models of customer retention to service design often incorporate it as a variable (Trasorras et al., 2009; Hanzae et al., 2011).

### 2.16 Customer Satisfaction in Telecommunication Industry

The academic literature on customer satisfaction in telecommunications is relatively scattered and primarily concerned with mobile telecommunications customers (Woo et al., 1999; Lee et al. 2001; Ueno, 2010; Mokhtar et al., 2011). In particular, Woo et al. (1999) examined the behavior of mobile telecommunication customers in Hong Kong. Transmission quality and network coverage were found to be the most important factors driving customer satisfaction in their study giving, therefore, high priority to product functionality in assessing the satisfaction of individual customers. In a similar vein, Lee et al. (2001) have examined the interaction between customer satisfaction, switching costs and loyalty behavior in mobile telecommunications in France. Schul et al. (1993), studying the satisfaction function of telecommunication's customers in Israel, examined the impact of different research strategies on customer satisfaction ratings. That is, they examined the impact of placing the question of overall customer satisfaction either at the beginning or at the end of the customer satisfaction questionnaire. It was found that placing the overall customer satisfaction question at the end of the questionnaire increases the correlation between the partial satisfaction coefficients and the overall customer satisfaction ratings.
According to Ueno (2010), the service quality gaps model is the conceptualization of service quality as the gap between customer expectations on the services and perceptions of the service performance. Furthermore, based on the gap model there are four major discrepancies contributing to service quality gaps, and each of the four gaps in turn contributes to the existence of gap five (Ueno, 2010; Mokhtar et al., 2011).

Thus, the current literature addresses specific aspects of telecommunications but does not provide an overall understanding of the dynamics of customer satisfaction. In a series of articles Finkelman et al. (1992) sought to address the problem of how customer satisfaction systems should be designed in the context of telecommunication service providers. They propose customer satisfaction measures focusing on experience from sales, installation, product usage, repair, and billing. All aspects of customer-provider contacts require a customer satisfaction framework that will facilitate the selection of unbiased customer opinion about their experience with the telecommunication operator. The above cited research, along with contributions of Gale (1994), was among the first studies concerning the transaction-specific customer satisfaction measurement in telecommunications.

Smith (1999) proposed an empirical framework concerning the effects of service encounters involving failure and recovery on customer satisfaction. Such research evidences the need to having an integrated approach to the assessment of customer satisfaction that will capture the effect of different aspects of the telecommunications service on customer satisfaction.

2.17 Customer Retention

According to Gutek et al. (1999), service relationships occur when customers have repeated contact with same service provider. Service relationships refer to instances where service providers know their customer personally and expect to see them again in future (Guchait et al., 2011). The individual judgment about buying a designated service from the same company again, taking into account his/her current situation and likely circumstances. Levitt (1983) examines value and customer retention via the buyer–seller relationship. Levitt (1983, p. 2) said that, “the relationship between a seller and a buyer seldom ends when a sale is made.”
Increasingly, the relationship intensifies after the sale and helps determine the buyer's choice the next time around. According to Levitt (1983), it is expectations and not things. How this relationship is managed is critical to its continuation. He warns that in the absence of sound management, the relationship will deteriorate. The failure of the service provider to address what may be causing the dissension will no doubt alter the relationship. Hellier (1995) tested a customer retention model in the insurance services sector and found relationships among perceived value (largely expressed through quality), customer satisfaction, loyalty and switching costs and repurchase intent (retention). Product and brand preference were intervening factors. Retention can also be measured based on customer profitability. Pfeifer et al., 2005, p.11) stated that "some customer are more equal than others, and firms can prosper by learning to identify and capitalize on customer differences". They quote a study by Reichheld et al. (1990) which reported that a 5 percent increase in retention would increase profits by 75 percent (Trasorras et al., 2009; Hanzae et al., 2011).

2.18 Emotional Commitment
Commitment is important to the study of relationship because it not only signals enduring stability at the conceptual level, but also serves as a reliable surrogate measure of long-term relationship at the operational and empirical level (Han, 1992; Mavondo et al., 2001). Commitment has served as the dependent variable in several relationship marketing models including those describing buyer-seller relationships, e.g. (Morgan et al., 1994; Hanzae et al., 2011) and channel behavior (Kumar et al., 1995). Communication is a good indicator of long-term relationships (Shamdasani et al., 1987; Morgan et al., 1994; Farrelly et al., 2003). Commitment has been shown to be an important factor in developing cooperative and relationships between providers and customers (Morgan et al., 1994; Garbarino et al., 1999), and such relationships are more likely to be characterized by higher levels of service quality and long-term profitability (Zeithaml et al., 1996; Hanzae et al., 2011). These findings are in accordance with the so-called "Commitment–Trust Theory of Relationship Marketing" (Morgan and Hunt, 1994), which states that commitment leads directly to the cooperative behaviors that are vital for long-term, mutually
beneficial relationships. Most conceptions of organizational commitment incorporate three attitudinal dimensions:

1) Affective commitment (employees who are committed to their organization because they want to be);
2) Continuance commitment (employees who are committed to their organization because they need to be; that is, they have few alternatives); and
3) Normative commitment (employees who are committed to their organization because they feel they ought to be) (Furtmueller et al., 2011)

2.19 Role of Front End Employee in Service Organizations

It is widely held that a customer-orientated firm is more likely to deliver exceptional service quality and create satisfied customers” (Hartline et al., 1996). This traditional path suggests that customer orientation leads to greater satisfaction with the service, which leads to greater loyalty. Numerous authors have highlighted the key role of contact personnel (e.g. service employees, salespeople) in the success of service organizations (e.g. Parasuraman et al., 1985; Crosby et al., 1987). 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 (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 (Gronroos, 1984; Parasuraman et al. 1985, 1988, 1991; Surprenant et al., 1987; Westbrook, 1987; Reingen, 1987; Czepiel et al., 1987; Czepiel, 1990; Herr et al., 1991; Murray, 1991; Gremler, 1994; Price et al., 1995; Gremler et al., 1996, 2000, 2001; Ettenson et al., 1997; Heskett et al., 1997; Anderson, 1998; Gilly et al., 1998; Money et al., 1998; Colgate et al., 1999; Sande, 2000; Gremler et al., 2001; Seth et al., 2005). 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 et al., 1996; Reynolds et al., 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 (Macintosh, 2007).

Front end employees are the main vehicle for communicating with customers and are to a large extent the actual mechanism through which the organization expresses its business orientation toward its customers (Beaverland, 2001). Customer orientation involves practicing the modern marketing concept at the individual level (Saxe et al., 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. Crosby et al. (1990) define relationship quality as a higher-order construct, consisting of at least two key related, but distinct dimensions viz. trust and satisfaction.

Thurau et al. (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 (Palmer et al., 1994; Dorsch et al., 1998), expertise (Palmer et al., 1994), conflict, willingness to invest, and expectation of continuance (Kumar et al., 1995), opportunism (Dorsch et al., 1998), cooperative norms (Baker et al., 1999a) 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.

Thurau et al. (2002) conducted 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 et al., 1994) and satisfaction are antecedents of commitment (e.g. Macintosh et al., 1997). In fact, 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 et al., 1996; Macintosh et al., 1997; Sirdeshmukh et al., 2002; Ward et al., 2007).

In services marketing, the behaviour of front end employees i.e. employees who interact personally with the customer as part of the service encounter, plays a central role with regard to a customer’s perception of satisfaction and service quality (e.g. Bowen et al., 1985; Bitner et al., 1990; Sergeant et al., 2000; Thurao et al., 2003; Thurao, 2004). As a consequence, the customer orientation of service employees can be expected to strongly influence a service firm’s business
performance via the development of lasting customer-employee relationships (Bove et al., 2000). However, the literature on the customer orientation of employees in the area of services is, to put it mildly, underdeveloped. In addition to the absence of a widely agreed definition of service employee customer orientation, no comprehensive conceptualization of the construct, its dimensions and its determinants has yet been developed.

2.20 Customer Orientation of Service Employees (COSE): Research Gap

The service encounter is an important component of the service quality construct (Raajpoot, 2004; Imrie et al., 2002) and involves critical moments of truth where customers often develop indelible impressions of the firm (Bitner et al., 2000). Yet, there has been little effort to conceptualize and assess the behavioral aspects of encounters (Malhotra et al., 1994). Previous research seeking to explain customer satisfaction has primarily focused on the customer expectation-disconfirmation paradigm, while for the most part overlooking the interaction between the customer and the provider in determining customer satisfaction (Bianchi, 2001; Oliver, 1993; Kong et al., 2007). Marketing theorists have long argued that firms that focus on their customer's needs are better positioned to achieve long-term success than companies that do not (Deshpande et al., 1993; Kotler, 2000). Indeed, empirical research has demonstrated several positive outcomes of market orientation, enhanced profitability (Narver et al., 1990), employee commitment, and esprit de corps (Jaworski et al., 1993). Implementation of this marketing concept in service firms is accomplished through service employees and their interaction with customers (Donavan et al., 2004). As a result of the intangible and interactive nature of services, customers often rely on the behavior of service employees when judging the quality of a service. Zeithaml et al., (1990) argue that appropriately skilled and trained service workers are essential to service delivery at Gap 3 of their Gap Model as well (Varca, 2004). Consequently, the employee level of customer orientation is considered an important leverage for a service firm's economic success (Bitner et al., 1990; Sergeant et al., 2000; Thurau, 2004; Bove et al., 2006; Hanzaee et al., 2011).

It is well established among marketing theorists that firms which focus their activities on the needs of their customers, i.e. behave in a customer-oriented way,
perform better than those companies that do not (Donavan et al., 2004). The studies by Narver et al. (1990) and Jaworski et al. (1993) empirically substantiate the economic potential of a firm’s customer orientation. At the same time, much less research has looked into the concept of overall firm customer orientation and analyzed what customer orientation means in terms of processes, policies, and employees. Because of the intangible nature of services and their high level of customer interaction and integration, customer orientation can be expected to play a crucial role in terms of economic success for service companies. In addition to researchers who have analyzed the role of service employees as a dimension of service quality (e.g. Parasuraman et al., 1988; Dabholkar et al., 2000), studies that explicitly address the concept of customer orientation of service employees are those by Kelley (1992), Brown et al. (2002), Donavan et al. (2004), and Thurau et al., (2003).

In the context of service quality research, it has been demonstrated that the behaviour of service employees affects the customers’ perception of the service (Bitner et al., 1990). Specifically, researchers have identified employee-related aspects of the service as dimensions of the customer’s service quality assessment. For example, three out of five service quality dimensions of Parasuraman et al.’s (1988) SERVQUAL measure directly or indirectly address the behaviour of employees (i.e. responsiveness, assurance, and empathy). Similarly, Dabholkar et al. (2000) identify personal attention and comfort as provided by a provider’s employees as components of service quality. However, as the service quality construct represents a customer-sided view, it is a natural consequence that none of these authors uses a company perspective when modeling the different facets of employee behaviour that impact service quality. Therefore, a service provider gains only limited information on the managerial action that is needed to select and train their service employees.

Kelley (1992) was among the first researchers to study the construct of COSE. Building on the premise that the customer orientation of a service firm’s frontline employees is crucial for business success, he proposed and empirically tested a conceptual framework of COSE determinants, including organizational constructs such as organizational climate and socialization, as well as personal constructs.
such as motivational effort and direction. Brown et al. (2002) defined COSE as an “individual’s tendency or predisposition to meet customer needs in an on-the-job context” and conceptualize it as two-dimensional. According to their thinking, COSE is composed of:

- a needs dimension which covers the employee’s belief that he or she can fulfill customers’ wishes; and
- an enjoyment dimension which represents the extent to which the employee enjoys interactions with customers.

However, the authors list no arguments supporting the two-dimensional structure of COSE, but only refer somewhat vaguely to the work of Saxe et al. (1982) and “discussions with practitioners in the banking and hospitality industries”. The focus of their study was on the intra-personal determinants of COSE and especially the impact of different personality traits on COSE, and on the role of COSE for intra-organizational performance ratings (Thurao et al., 2003; Thurao, 2004).

Donavan et al. (2004) developed on the findings of Brown et al. (2002) and adopted their definition of COSE. As with this study, their interest was in the consequences of COSE, but while this study analyzes the impact of COSE on the consumer and also looks for the determinants by studying the employee perspective, Donavan et al. (2004) applied an intra-organizational perspective and consequently considered the employee’s organizational commitment and job satisfaction as outcome variables of their structural model. In contrast to Brown et al. (2002), they argued that COSE consists of five dimensions, namely, “need to pamper”, “need to read the customer”, “need for personal relationship”, “need to deliver”, and “need to communicate”. This structure was derived from “qualitative data from service managers, employees, and consumer”, with no in-depth information on the process of the derivation of the dimensional structure provided. When applying a second-order confirmatory factor analysis, the “need to communicate” dimension was not found to load strongly on the second-order factor.

Thurau et al. (2003) define COSE as the employee’s behaviour in person-to-person interactions and suggest a three-dimensional conceptualization of COSE. Their
approach is based on the requirements that must be met by service employees to satisfy consumers’ needs during employee-consumer interaction processes. Drawing on the work of the German social psychologist Rosenstiel (1988), who distinguishes between “individual knowledge”, “personal willingness”, and “social allowance” as prerequisites for employees’ general behaviour, Thurau et al., (2003) introduced three new COSE dimensions, entitled:

- an employee’s customer oriented skills;
- his or her motivation to serve customers; and
- his or her self-perceived decision-making authority.

In contrast to previous work in this field, this approach is of a deductive kind as, according to Thurau et al. (2003), an employee can only behave in a fully customer-oriented sense if all dimensions exist, i.e. he or she is motivated, competent, and allowed to treat customers according to their requirements. Despite the plausibility of this approach, the authors neither provide empirical support for the dimension’s discriminant validity nor discuss the impact of these dimensions on employees’ or consumer’s behaviour. Later Thurau (2004) conceptualized a model and also empirically tested the same in Germany for travelling agencies and CD and book retailers by filling up an online questionnaire but not with respect to telecom industry. Hanzaee et al. (2011) also tested the model of Thurao (2004) on Islamic banking in Iran.

Keeping the scorching pace of growth of Indian telecom industry in mind, there is a need to study the factors that lead to customer satisfaction and customer retention. In the context of service industry it is not enough if the product meets the functional requirements of the customer, it should also meet certain other customer expectations like the behaviour/attitude of the person who provides service. Customer satisfaction is the combination of both technical features & human behavioural aspects (Ravishankar, 2006). Unlike other services, in telecom services, the interaction between customer and front end employee is very complex. Customer has to contact front end service employee right from sales, installation, product usage to service failure, recovery, billing and billing errors. Even for gathering information about the new offerings, switching products, customer has to be in continuous contact with his telecom service operator.
Although switching is a common scenario in most service industries (Griffin et al., 2001), it is more prevalent in telecommunication services (Lee et al., 2005, Habib et al., 2011). After the implementation of Mobile Number Portability (MNP) in India, customer can change his operator keeping his mobile number*, so customer has to be in continuous contact with his telecom service operators and even with competitors so as to make better choice in respect of tariffs, service quality, reach of the network etc.

In the light of the above, the present study attempts to explore the differences between employees of public and private telecom service provider with respect to various dimensions of COSE so as to understand whether the employees of telecom companies, who serve as a touch point vis-à-vis the customers, are geared to meet the challenge. An attempt has also been made to study the differences between customers of public and private telecom service provider with respect to customer satisfaction, customer commitment and retention and dimensions of COSE. It is expected that the findings of the study, apart from adding to the scant literature on the subject, will provide valuable inputs to marketing and telecommunication professionals enabling them to dovetail marketing strategies as also appropriately segment the market.

2.21 Summary

Customer orientation is depicted as the implementation of the marketing concept (Saxe et al., 1982), the customer-oriented behaviors of marketing personnel become the activities through which relationships can be nurtured and managed (Dunlap et al., 1988; Crosby et al., 1990; Webster, 1992). Customer orientation is described as a philosophy and behavior directed toward determining and understanding the needs of the target customer and adapting the selling organization’s response in order to satisfy those needs better than the competition, thereby creating a competitive advantage.

* As per the data reported by the service providers, by the end of October 2011 about 23 million subscribers submitted their requests to different service providers for porting their mobile number. This shows that many customers are dissatisfied with their current operator and want to change their operator (Telecom Regulatory Authority of India, 2011).
advantage (Saxe et al., 1982; Marquardt, 1989; Williams et al., 1990). Marketing scholars have explored the nature of customer orientation at the level of the individual salesperson as well as at the level of the organization. These research studies have found positive associations with outcomes such as profitability, market share, salesperson performance, job satisfaction, organizational commitment and turnover intentions (e.g. Narver et al., 1990; Reichheld et al., 1990; O’Hara et al., 1991; Kelley, 1992; Deshpande et al., 1993; Jaworski et al., 1993; Siguaw et al., 1994b).

More specific and relevant to this current study, Saxe et al. (1982) supported customer orientation’s positive association between relational variables (e.g. the likelihood of follow-on orders, cooperation, trust, and lack of conflict). Similarly, findings from Dunlap et al.’s (1988) study evidenced a positive relationship between customer orientation and customer satisfaction. Nevertheless, there is little theoretically based research specifically investigating the association between customer orientation and the development of buyer-seller relationships. Theoretical justification for the customer-oriented behavior of salespeople positively impacting the development of buyer-seller relationships stems from the communication expectancies of social exchange theory (Heider, 1958; Homans, 1961) and relational communications theory (Capella et al., 1982; Soldow et al., 1984; Alloy et al., 1984; Capella et al., 1990). 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. Numerous authors have highlighted the key role of contact personnel (e.g. service employees, salespeople) in the success of service organizations (e.g. Parasuraman et al., 1985; Crosby et al., 1987). 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 (Thurau et al., 2002; Hanzae et al., 2011).