



# Customer orientation of service employees

## Its impact on customer satisfaction, commitment, and retention

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**Abstract** *With the performance of service personnel often constituting a major element of a service per se, the customer orientation of service personnel is often regarded as a main determinant of service firms' success. Drawing on a deductively derived four-dimensional conceptualization of the customer orientation of service personnel, consisting of employees' technical skills, social skills, motivation, and decision-making power, a model of the impact employees' customer orientation has on key service marketing constructs is theoretically developed. The model is then empirically tested against a sample of 989 consumers for two service contexts (i.e. book/CD/DVD retailers and travel agencies), with the results providing support for most hypotheses. Implications of the findings for services and retail management are discussed.*

### Service success through customer-oriented employees?

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. Consequently, the employees' level of customer orientation is considered an important leverage for service firms' economic success (Bitner *et al.*, 1990; Bove and Johnson, 2000; Bowen and Schneider, 1985; Sergeant and Frenkel, 2000). Despite its important position in the value chain, only few studies have addressed the construct of customer orientation of service employees (COSE) and its impact on service firms' success (Brown *et al.*, 2002). Noteworthy exceptions are the studies by Kelley (1992), Brown *et al.* (2002), Donavan *et al.* (2004), and Hennig-Thurau and Thurau (2003). While the first two studies focus on the relationship between COSE and employee characteristics such as personality traits, job satisfaction, and organizational commitment, the latter authors have suggested, but not empirically tested, a three-dimensional conceptualization of customer orientation of service employees, distinguishing between the employee's motivation to serve customers, his or her customer-oriented skills, and his or her self-perceived decision-making authority. To the best of our knowledge, no study has yet tested the impact of COSE on the way customers assess transactions with service employees or their relationship with the service provider as a whole.

This paper draws on the conceptualization suggested by Hennig-Thurau and Thurau (2003) and tests a model of COSE dimensions and customer-sided



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consequences. Following a review of the available literature on COSE, a four-dimensional structure of COSE is proposed and used as the cornerstone of a model of customer-sided COSE consequences. The model is tested against a sample of 989 consumers for two different kinds of services (travel agencies and electronic media retailing) using structural equation modeling methodology. The paper concludes with a discussion of the findings and their implications for service research and practice.

### **Review of literature on customer orientation of service employees**

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 and Slater (1990) and Jaworski and Kohli (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 Kelley (1992), Brown *et al.* (2002), Donovan *et al.* (2004), and Hennig-Thurau and Thurau (2003).

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.

Kelley (1992) was among the first researchers to study the construct of COSE. Building on the same premise as this paper, i.e. that the customer orientation of a service firm's frontline employees is crucial for business success, he proposes and empirically tests 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) define 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 and Weitz (1982) and “discussions with practitioners in the banking and hospitality industries”. The focus of their study is 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.

Donavan *et al.* (2004) build on the findings of Brown *et al.* (2002) and adopt their definition of COSE. As with this paper, their interest is in the consequences of COSE, but while this paper analyzes the impact of COSE on the consumer, Donovan *et al.* (2004) apply an intra-organizational perspective and consequently consider the employee’s organizational commitment and his or her job satisfaction as outcome variables of their structural model. In contrast to Brown *et al.* (2002), they argue that COSE consists of five dimensions, entitled “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.

Finally, Hennig-Thurau and Thurau (2003) define COSE as the employee’s behavior 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 Von Rosenstiel (1988), who distinguishes between “individual knowledge”, “personal willingness”, and “social allowance” as prerequisites for employees’ general behavior, they introduce three COSE dimensions, entitled:

- (1) an employee’s customer-oriented skills;
- (2) his or her motivation to serve customers; and
- (3) 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 Hennig-Thurau and Thurau (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 dimensions’ discriminant validity nor discuss the impact of these dimensions on employees’ or consumers’ behavior.

### **Conceptualizing COSE**

Building on the work of Hennig-Thurau and Thurau (2003), we define COSE as the extent to which the employee’s behavior in personal interactions with customers meets those customer needs. It is important to note that the conceptualization of COSE as suggested here implies that all four dimensions are indispensable to a certain extent to

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enable employees to behave in a customer-oriented way. In other words, the approach discussed here understands the COSE dimensions as being non-compensatory which represents a major difference to previous conceptualizations.

Regarding the skills dimensions of COSE, we propose that the employee's social skills and technical skills represent separate dimensions of COSE, in addition to the motivation dimension and the authority dimension. The employee's technical skills refer to the knowledge and those technical or motor skills which a service employee must possess in order to fulfill the customer's needs during the personal interaction process (Argyle, 1967). Such technical skills are essential for customer need fulfillment as the *uno actu* characteristic of service encounters requires the employee to respond instantly to the customer instead of relying on data in knowledge databases, etc. In several service areas such as hairdressers and massage salons, the employee's motor skills are to a large extent identical with the service provided and cannot be substituted by other service components.

The concept of social skills focuses on the service employee's ability to take the customer's perspective during interactions (e.g., Flavell *et al.*, 1968; Mead, 1934). Specifically, such perspective taking can take place visually (i.e. the employee understands what the consumer sees and perceives), cognitively (i.e. the employee understands what the consumer thinks), and emotionally (i.e. the employee understands what the consumer feels (Flavell *et al.*, 1968)). All of these three facets enable the employee to understand the consumer's needs and are therefore considered necessary for need fulfillment. Social skills are modeled separately here from technical skills to reflect adequately the different theoretical origins and streams of research these two concepts are based on. While technical skills are mainly discussed in the context of work psychology, social skills and empathy are most intensively discussed in the educational research context. We believe that an employee's social and technical skills can be similarly high (or low), but that an employee who possesses a high level of social skills must not necessarily have the knowledge that is required to perform in a customer-oriented way.

Regarding the motivation dimension of COSE, the employee's motivation to serve customers consists of three elements, namely: a positive valence of customer-oriented behavior and the consequences associated with such behavior on the part of the employee; the employee's self-perception of being able to behave in a customer-oriented way (Vroom, 1967); and his or her expectations of reaching the desired outcome through engaging in such behavior (e.g. happy customers, rewards from the employer). Motivation is essential for the employee's transformation of social and technical skills into customer-oriented behavior.

Finally, the employees' self-perceived decision-making authority as the remaining dimension of COSE corresponds to the extent to which service employees feel authorized to decide on issues that concern customers' interests and needs. Self-perceived decision-making authority is related to the empowerment concept intensively discussed in the services literature (e.g. Bowen and Lawler, 1995; Spreitzer, 1995) which, however, refers to the "objective" authority an employee has been given by the organization, while decision-making authority is seen as a subjective concept. As with motivation, decision-making authority is needed in order to transfer an employee's skills and intention to treat customers in a friendly and competent way into actual behavior.

Consequently, COSE is considered a four-dimensional construct with technical skills, social skills, motivation, and decision-making authority as dimensions. From a

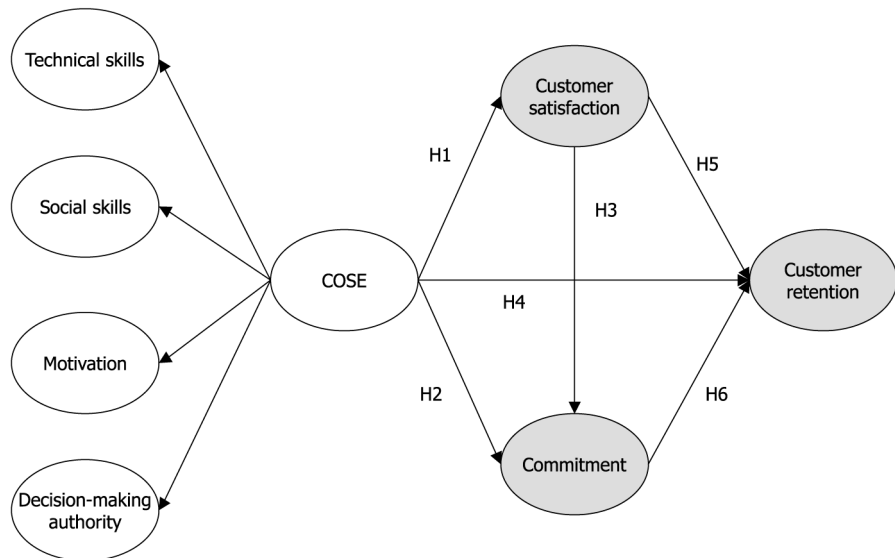
methodological perspective, this conceptualization implies that discriminant validity exists between the COSE dimensions (Fornell and Larcker, 1981), with the dimensions all correlating significantly with the overall construct of COSE. In the next section we develop a model of COSE consequences building on the four-dimensional conceptualization of COSE.

### A model of COSE consequences

When modeling the consequences of COSE on key outcome constructs of service firms, it is assumed that the four COSE dimensions exert an identical directional impact on the outcomes constructs. In the conceptual model shown in Figure 1, technical skills, social skills, motivation, and decision-making authority are interpreted as second-order factors that impact customer satisfaction, commitment, and customer retention.

Building long-term relationships with customers is considered an essential precondition for the economic survival and success of most service firms today (e.g. Berry, 1995; Heskett *et al.*, 1994). This crucial role of customer retention stems from the increasing costs of acquiring new customers in highly competitive markets and the cost-reducing potential associated with long-term relationships. It is assumed here that COSE bears the potential significantly to influence a service firm's retention rate and therefore the firm's economic success. We distinguish between a direct impact of COSE on customer retention and an indirect impact, with the latter being mediated through customer satisfaction and commitment.

Customer satisfaction is defined as an "overall evaluation of a firm's products [or services]" (Anderson *et al.*, 1997, p. 130). In the marketing literature, satisfaction has been established as a major antecedent of customer retention (Szymanski and Henard, 2001). In the context of relationship marketing, satisfaction is conceptualized as an element of the relationship quality concept (Crosby *et al.*, 1990; Hennig-Thurau and



**Figure 1.**  
A model of COSE  
dimensions and  
consequences

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Klee, 1997). Drawing from the disconfirmation paradigm of customer satisfaction (e.g. Oliver, 1997), we postulate that customers have expectations with regard to the behavior of service employees in interaction situations and that, when these are exceeded, the level of customer satisfaction with the service provider is positively influenced. We offer the following hypothesis:

- H1.* The customer orientation of service employees has a positive influence on customer satisfaction.

While the construct of customer satisfaction focuses on the services and products delivered by the firm, service research has demonstrated that the development of long-term relationships is also influenced by social aspects (Goodwin and Gremler, 1996). Most importantly, the customer may stay with a certain service provider not because of superiority of performance, but because of the commitment he or she has developed to the service provider and its employees, that can be characterized by elements of emotionality and friendship (Garbarino and Johnson, 1999; Gwinner *et al.*, 1998; Price and Arnould, 1999). In the case of services, such an emotional commitment is based predominantly on the customer's personal familiarity with and affinity to single service employees. Consequently, we presume that the employees' handling of interactions with customers strongly influences the level of commitment a customer develops toward a service provider. At the same time, it is assumed here that the level of satisfaction the customer experiences with the services provided also contributes to the customer's commitment to the service firm, as friendships require at least a minimum of reliability and fulfillment (Hennig-Thurau *et al.*, 2002). We offer the next two hypotheses:

- H2.* The customer orientation of service employees has a positive influence on emotional commitment.

- H3.* Customer satisfaction has a positive influence on emotional commitment.

In addition to the impact of COSE on satisfaction and emotional commitment, we also postulate COSE to influence customer retention directly. This direct impact can be argued to exist for two reasons. First, consumers can be expected to return to a service firm where they encountered a high level of COSE because they like the employees and "feel good" about this specific service provider, so that there is no need to switch to a different provider. Second, the customer's behavioral reaction can also be mediated by the customer's trust in the service provider when employees are considered as trustworthy by customers and this judgment is transferred to the service firm in general (e.g. Sirdeshmukh *et al.*, 2002).

For reasons of completeness, a positive direct impact on customer retention is also postulated for customer satisfaction and emotional commitment. In the case of satisfaction, it is argued that a service encounter which fulfils the customer's expectations positively influences the customer's evaluation of the firm in general – the customer expects similarly beneficial treatment the next time he or she makes use of the respective service (Crosby *et al.*, 1990). Similarly, a consumer values interacting with a partner they feel affectively committed to and tend to prefer such a partner to an alternative to whom they feel no affective commitment (Morgan and Hunt, 1994). Accordingly, the final hypotheses are as follows:



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- H4. The customer orientation of service employees has a positive direct influence on customer retention.
- H5. Customer satisfaction has a positive direct influence on customer retention.
- H6. Emotional commitment has a positive direct influence on customer retention.

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### **An empirical test of the COSE consequences model**

#### *Methodology*

To test the model of COSE consequences empirically, a customer perspective was taken with all constructs in the model being assessed by service customers. A total of 112 graduate students from two German universities were given the task of motivating ten respondents each to fill out an online questionnaire. The selection of respondents was based on a quota sample, with age and gender as quota criteria. Altogether, 1,113 questionnaires were filled out. After eliminating those questionnaires with 20 percent or more missing information, inconsistent answers, or questionnaires with answers referring to an online service provider, a total of 989 questionnaires remained in the analysis.

The model was tested for different kinds of services, namely travel agencies and retailers of media products (books, CDs, DVDs and videos). These two services were chosen as they are strongly used by German consumers so that respondents were able to evaluate a service provider in one of the two contexts, which was important for ensuring a sufficient response rate. In addition, we selected these two industries as they differ obviously in terms of interaction intensity and product involvement, with travel agencies representing a highly individualized and interactive service (Bowen, 1990). In contrast, media retailing services are usually characterized by a moderate level of personal interaction and a relatively high level of standardization (Bowen, 1990).

Accordingly, two variants of the questionnaire were developed addressing the individual characteristics of each service. 408 out of the total 989 questionnaires referred to travel agencies and 581 to media retailers. When filling out the questionnaire, the respondents were first asked to name the travel agency (or media retailer) which they had visited most recently. Using dynamically programmed software, all further questions were then related to the service provider mentioned by the respondent. This procedure was chosen because it prevented a systematic distortion of the sample towards highly loyal and satisfied customers and a small number of service providers. Instead, the data set included a multitude of different service providers in the two service areas (travel agencies and media retailing). Moreover, as intended, the sample was not restricted to loyal customers, but covered a variety of customer-service provider relationships. Table I lists the socio-demographic profile of the final sample.

For measuring the model constructs, validated scales were used where available. Specifically for emotional commitment, customer retention, and customer satisfaction, we took scales from Morgan and Hunt (1994), Zeithaml *et al.* (1996), and Hennig-Thurau *et al.* (2002), respectively, and slightly reworded them by adding the name of the retailer the customer has visited most recently. Each of the three constructs was measured with four items. As the data collection took place in Germany, items were translated into German (see the Appendix for a list of items). As no validated scales were available for the dimensions of COSE, new scales had to be developed. Initially, three items were formulated for each COSE dimension based on the

	Category	Total sample (%)	Travel agencies sample (%)	Media retailers sample (%)
Age	< 20	5.6	2.5	7.7
	20-29	48.0	46.5	49.1
	30-39	20.0	21.3	19.1
	40-49	11.6	13.5	10.3
	≥ 50	14.8	16.2	13.8
Gender	Male	59.0	56.9	60.0
	Female	41.0	43.1	40.0
Education	Not graduated from school	1.2	0.5	1.7
	Lower secondary school ( <i>Hauptschule</i> )	6.0	6.1	5.9
	Intermediate secondary school ( <i>Realschule</i> )	15.1	13.8	16.1
	High school ( <i>Gymnasium</i> )	46.8	45.5	47.8
	College or university degree	30.9	34.2	28.5
Monthly household income (€)	< 500	23.4	19.9	25.8
	500-999	27.7	25.2	29.7
	1,000-1,999	14.6	15.9	13.6
	2,000-4,999	29.4	33.2	26.7
	≥ 5,000	4.9	5.8	4.2

**Table I.**  
Socio-demographic sample profile

definitions given above. All items were measured on seven-point agreement scales, with 7 indicating maximum agreement and 1 no agreement.

The scales were pre-tested against a sample of 140 consumers who were asked to fill out the questionnaire over the Internet. Reliability was good for all constructs and the COSE dimensions, with alpha values of 0.82 for customer satisfaction, 0.88 for commitment, 0.94 for customer retention, 0.95 for technical skills, 0.93 for social skills, 0.94 for motivation, and 0.86 for authority. With the exception of one negatively worded authority item (which was reformulated), all items remained in the questionnaire in their original version for the main study.

#### *Testing the dimensionality of COSE*

The reliability of the COSE dimension scales was excellent in the main study as well, with alpha values of 0.91 and higher for the four COSE dimensions (for details on alpha values, descriptive statistics and correlations, see Table II). A confirmatory factor analysis (maximum likelihood algorithm and LISREL 8.5) gave support for the postulated four-dimensional structure of COSE. Specifically, both the  $\chi^2$  difference test and the Fornell-Larcker criterion showed that discriminant validity exists between the four COSE dimensions of technical skills, social skills, motivation, and authority. In the case of the  $\chi^2$  difference test, discriminant validity is assumed if the increase of the model's  $\chi^2$  value resulting from setting the correlation between two factors to 1 (i.e. indicating unidimensionality) which is  $\chi^2$  distributed with a single degree of freedom, exceeds the theoretical  $\chi^2$  distribution at  $p = 0.05$ , which is true for all pairs of COSE



**Table II.**  
Alpha values, descriptive  
statistics, and  
correlations

	No. of items	Mean	Std dev.	Technical skills	Social skills	Motivation	Decision-making authority	Customer satisfaction	Emotional commitment	Customer retention
Technical skills	3	5.03	1.25	0.952						
Social skills	3	4.99	1.19	0.766	0.926					
Motivation	3	5.08	1.19	0.777	0.888	0.922				
Decision-making authority	3	4.56	1.29	0.580	0.663	0.672	0.909			
Customer satisfaction	4	5.37	1.22	0.648	0.741	0.751	0.561	0.932		
Emotional commitment	4	3.63	1.57	0.540	0.617	0.626	0.468	0.675	0.889	
Customer retention	4	4.06	1.71	0.488	0.558	0.566	0.423	0.638	0.679	0.937

**Note:** Numbers in the diagonal are Cronbach's alphas

dimensions. The more restrictive criterion suggested by Fornell and Larcker (1981) requires the explained variance of two factors to be higher than the variance shared by the two factors. As can be seen in Table III, this condition was also met for all possible pairs of COSE dimensions.

The assumption that the four dimensions belong to the same constructs was also supported by the data. As expected, correlations between all four COSE dimensions were strong (with  $r$  between 0.60 and 0.89) and highly significant (with  $t$ -values between 27.4 and 104.8), clearly indicating that the dimensions belong to a joint construct.

#### *The consequences of COSE*

Table IV reports the path coefficients and degrees of explained variance for both the conceptual model for the total sample and the travel agency and media retailing sub-samples. As with the confirmatory factor analysis, model testing was done with the LISREL 8.5 software using the maximum likelihood algorithm. All models represent the actual data well, with a root mean squared error of approximation of between 0.06 (total sample) and 0.08 (travel agency sample), normed fit indices and comparative fit indices of between 0.99 (total sample) and 0.98 (both sub-samples), a standardized root mean squared residual of between 0.03 (total sample) and 0.046 (media retailing sample) (Browne and Cudeck, 1993), and chi-square/degree of freedom parameters between 3.87 (travel agency sample) and 4.09 (media retailing sample).

The hypotheses are mostly supported by the data. In detail, the results show that the impact of COSE on customer satisfaction proposed in  $H1$  is quite strong, with standardized path coefficients of between 0.78 and 0.84. As with satisfaction, COSE is also found to significantly impact the consumer's emotional commitment to the service provider. This is the case for the total sample as well as the two sub-samples, showing that  $H2$  is clearly supported. Interestingly, the relationship between COSE and commitment is about half as strong as its impact on satisfaction. Providing support for  $H3$ , commitment is also significantly influenced by customer satisfaction.

The proposed direct impact of COSE on customer retention was found for the total sample and the media retailing sample. However, the path from COSE to retention was slight and non-significant in the case of travel agencies, so that  $H4$  can be seen as only partially supported by the data. Finally, both customer satisfaction and commitment have a direct impact on customer retention, as suggested in  $H5$  and  $H6$ . While this impact is almost equally strong in the case of commitment, the relation between satisfaction and retention is nearly twice as strong in the case of travel agencies

	Average variance explained	Social skills ( $R^2$ )	Motivation ( $R^2$ )	Decision-making authority ( $R^2$ )
Technical skills	0.91	0.58	0.58	0.36
Social skills	0.85	–	0.80	0.44
Motivation	0.84		–	0.44
Decision-making authority	0.80			–

**Table III.**  
Percentages of shared  
variance between COSE  
dimensions and average  
variances explained

**Table IV.**  
Results of structural  
equation modeling

Effects of	On	Total sample	Media retailers sample	Travel agencies sample	Hypothesis	Supported?
COSE	Customer satisfaction	0.79	0.78	0.84	H1	Yes
COSE	Commitment	0.34	0.37	0.35	H2	Yes
COSE	Customer satisfaction	0.41	0.36	0.37	H3	Yes
COSE	Customer retention	0.09	0.18	0.06*	H4	Partly
Customer satisfaction	Customer retention	0.25	0.19	0.37	H5	Yes
Commitment	Customer retention	0.47	0.41	0.40	H6	Yes
$R^2_{(customersatisfaction)}$		0.63	0.60	0.71		
$R^2_{(commitment)}$		0.50	0.48	0.48		
$R^2_{(customerretention)}$		0.54	0.50	0.57		

**Notes:** All numbers are standardized path coefficients; \* Not significant at  $p < 0.05$

compared to media retailing. Overall, between 50 and 57 percent of the customer retention variable is explained by the other model constructs. **COSE: its impact**

*The impact of COSE dimensions on service outcome constructs*

In the next step, we analyzed the impact of the four COSE dimensions on customer satisfaction, commitment and customer retention as key outcome constructs of service management. This was done by calculating four separate structural equation models, with one of the COSE dimensions replacing the overall COSE construct. Results are reported in Table V.

In the case of the total sample, the service employees' motivation to serve customers in a customer-oriented way impacted customer satisfaction and retention most strongly, followed by the employees' social skills and their technical skills. The employees' decision-making authority as perceived by the customer also has a strong impact on customer satisfaction which, however, is clearly less pronounced than the impact of the other COSE dimensions. The customers' emotional commitment to the service provider is influenced most by the employees' social skills and their motivation to behave in a customer-oriented manner. With the exception of the decision-making authority dimension of COSE, all dimensions significantly impact the level of customer retention.

Results are similar for the two sub-samples, but some noteworthy differences can also be found. Specifically, it is interesting that the impact of all four COSE dimensions on customer satisfaction is stronger in the case of travel agencies than for media retailers. Moreover, comparing the findings for the two sub-samples shows that customer commitment to service providers is formed in different ways. While technical skills affect commitment more strongly in the case of travel agencies, the employees' authority to solve customer-related issues is more relevant for customer commitment in the case of media retailers, with such authority being similarly important to motivation and even more important than employees' technical skills.

Differences with regard to the importance of COSE dimensions can also be found for customer retention. With the exception of technical skills in the case of media retailers, all dimensions of COSE have a stronger impact on customer retention than in the case of travel agencies. Specifically, while motivation and social skills exert no significant direct impact on retention (i.e. not mediated through satisfaction or commitment), the impact of these dimensions on retention is significant in the case of media retailers.

	Total sample			Travel agency sample			Media retailing sample		
	CS	C	CR	CS	C	CR	CS	C	CR
Technical skills	0.67	0.18	0.05	0.68	0.23	0.10	0.66	0.15	0.06
Social skills	0.72	0.26	0.06	0.75	0.23	0.04*	0.71	0.30	0.13
Motivation	0.76	0.25	0.08	0.82	0.26	0.03	0.73	0.27	0.16
Decision-making authority	0.57	0.19	0.01*	0.62	0.09	-0.05*	0.55	0.27	0.08

**Notes:** CS = customer satisfaction; C = commitment; CR = customer retention; \* Not significant at  $p < 0.05$

**Table V.**  
Impact of COSE dimensions on customer satisfaction, commitment, and customer retention

**Discussion of results and implications for service marketing and management**

*On the relevance of service employees*

Based on an empirical study of 989 respondents, the findings reported in this paper illustrate that service employees' level of customer orientation is a key driver for customers' satisfaction with the service firm, the level of emotional commitment of these customers to the firm, and, most importantly, their degree of retention. Therefore, employing customer-oriented service personnel, although not guaranteeing economic success, does represent a crucial step towards it.

The findings provide some important starting points for an effective management of service employees' customer orientation. Building on the distinction of four dimensions of service employees' customer orientation (COSE), namely technical skills, social skills, motivation, and decision-making authority, the findings illustrate that especially the employees' social skills and their motivation to fulfill customer needs exert a strong influence on satisfaction and commitment and therefore the development of stable relationships with customers. For service firms, the main implication of this finding is that employees' customer orientation should play a major role when it comes to allocating budgets. Specifically, great attention should be paid to measures that deal with the recruitment of new employees for boundary-spanning positions and the training of new and existent service employees.

Regarding recruitment, research on social skills has shown that empathy is predominantly a personality trait (Bettencourt *et al.*, 2001), with a person's capacity for empathy being largely determined in the person's youth. As this study has demonstrated that social skills strongly affect key service marketing variables, it is recommended for service firms to dedicate sufficient energy and resources to the selection of future employees, which is true even in services with limited interaction potential such as media product retailing. With regard to training, the results of this study also show that the employees' knowledge has a significant impact on customer satisfaction and other service variables. Therefore, we argue that service employees should be equipped with sufficient skills that match customers' expectations through regular training events. As this relationship can also be observed for media retailing services, companies should reconsider the current trend to substitute skilled personnel by minimum-wage workers as this can be expected to negatively affect the customers' willingness to use a service firm repeatedly.

We also found that the impact of service employees' customer orientation on customer satisfaction is clearly stronger than on commitment and on retention. As recent research in service marketing has pointed out the limited impact of customer satisfaction on retention, the relevance of COSE must be put into perspective. In other words, investments in COSE only pay off to a great extent when satisfaction has a strong effect on long-term variables such as commitment and retention. Service providers have to thoroughly analyze whether this is the case for their respective business.

*Contextual differences: service industry and country context*

In addition, the results highlight a number of issues that stress the need for a contextual differentiation of the service marketing concept. Such issues include the existence of a direct impact of COSE on customer retention in the case of media

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retailers and its absence in the case of travel agencies. A possible explanation is that employee behavior is affected by COSE through the constructs of commitment and particularly satisfaction (which are part of the model) in the case of high-interaction services, while for less interactive and personalized services such as retail consumption the effect of COSE on retention is mostly based on the development of routines and habitual decision making. While in both contexts a similar amount of retention is explained by COSE, the different ways through which this is attained might impact the stability of the results. Specifically, when an increase in retention is mainly the result of habitualization, the retention can be expected to be more fragile and susceptible to competitors' actions than when it is caused by the development of emotional commitment.

The results also show that in the case of high-interaction services (i.e. travel agencies), the direct impact of customer satisfaction on retention is clearly stronger than in the case of less individualized and personal services such as media retailers. This difference might be at least partially attributed to the higher risk associated with travel bookings than with shopping for media products which implies that customers more consciously develop a relationship with a travel agency than with a media retailer in order to reduce their consumption risk. Consequently, customers base their choice of a travel agent primarily on the previously experienced satisfaction with this agent while in media retailing satisfaction is partly edged out by situational factors (e.g. location of store).

Context-related differences were also found with regard to the COSE dimensions' impact on customer commitment to a service firm. For travel agencies, the employees' technical skills play an outstanding role in building commitment, while it is dominantly the employees' decision-making power that initiates commitment-building processes in the case of media retailers. These differences might also be understood when analyzing the specific characteristics of both service types closely. Specifically, travel agents regularly have a larger technical knowledge than the consumer him/herself, which lets consumers assess this knowledge as helpful and relationship-enhancing. In the case of media retailers, however, the employee's advantage with regard to product expertise is usually regarded as smaller (if at all existent) reducing its impact on the consumer's relationship with the firm. In contrast, since customers usually expect an employee in a travel agency to be empowered to make decisions, a lack of employee authority will often result in consumer frustration and anger. Therefore, the existence of authority on the part of the employee is valued more highly when shopping for media products and facilitates the building of commitment.

As mentioned earlier in this paper, the data collection for this study was carried out in Germany, which is known as an "outright service desert" (Hans-Jörg Bullinger, leader of the Fraunhofer-Institute, cited in Witkowski and Wolfinbarger, 2002) and whose retailing employees are considered to be "notoriously unfriendly to consumers" (Witkowski and Wolfinbarger, 2002). Therefore, it would be interesting to speculate whether the findings of this study might help to raise the level of service quality and customer satisfaction in Germany. The strong impact of customer orientation of employees on customer satisfaction established in this paper and the identification of four separate dimensions to customer orientation could enable German service providers to serve customers in a more effective way and to overcome their current deficiencies and small growth rates. We believe that a service provider that performs



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above average on the COSE dimensions will have a good chance to outperform its competitors in a country where consumers are thirsting for excellent service.

*Limitations and suggestions for future research*

Like any empirical study, the study reported here suffers from a number of limitations. With regard to the general applicability of the findings, restrictions result from the sample characteristics. Although the sample contains consumers from different social groups and is based on a quota sampling procedure, it does not represent the German population adequately. Also, the data collection method used in this study does exclude those consumers who have no access to the Internet, as the questionnaire had to be filled out online. Although the number of people who have no Internet access in Germany has decreased in recent years, especially older consumers are not adequately represented by the sample. Moreover, the fact that the data were collected in Germany raises the question of its transferability into other cultural regions such as the USA. This question could only be answered by carrying out a similar study outside of Germany. While two different service fields are covered by the data and highlight some interesting service-type induced differences, a transfer of the findings to other service types would be largely speculative and could be based at best on key characteristics of the considered services (e.g. interaction intensity, perceived risk, level of individualization). The typology provided by Bowen (1990) might serve as a starting point here, as media retailers and travel agencies belong to different segments of this typology. To understand better the differences between the service industries, it would also be of help to include potential moderator variables such as relationship intensity and length in future studies that address this subject.

Another limitation of this study stems from the fact that all data used for this study were collected from customers only. Although customers will be able to assess several of the model's variables, it might be questioned whether this is also true for some of all COSE dimensions and particularly the concept of employee-perceived decision-making authority. In any case, future research that uses data from both customers and employees would help to validate the findings reported here.

It must also be mentioned that the findings are not based on a random sample. Instead, a quota sampling procedure was applied, with age and gender as quota criteria. While the final sample matches the population quite closely in terms of gender, the distribution of the different age categories differs between sample and population, with consumers between 20 and 29 years of age being over represented. Finally, although the model provides insights into the dimensions and consequences of COSE, it tells us nothing about the determinants of the COSE dimensions. As the findings reported here clearly illustrate the enormous potential of COSE for service firms, further studies which extend the model for determinants of COSE can be considered fruitful and worthwhile for future investigation.

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**Appendix. List of items in the final questionnaire**
*Technical skills*

- The employees of \$ have a high level of knowledge. [*Die Mitarbeiter von \$ verfügen über ein großes Fachwissen.*]
- \$'s employees are experts in their job. [*\$s Mitarbeiter sind Experten in ihrem Job.*]
- The employees of \$ are highly competent [*Die Mitarbeiter von \$ sind fachlich extrem kompetent.*]

*Social skills*

- The employees of \$ have extensive social skills. [*Die Mitarbeiter von \$ verfügen über eine hohe Sozialkompetenz.*]
- The employees of \$ are able to consider their customers' perspective. [*Die Mitarbeiter von \$ können sich gut in die Lage des Kunden hineinversetzen.*]
- The employees of \$ know how to treat a customer well. [*Die Mitarbeiter von \$ wissen, wie man Kunden gut behandelt.*]

*Motivation*

- The employees of \$ show strong commitment to their job. [*Die Mitarbeiter von \$ zeigen ein hohes Engagement.*]
- The employees of \$ do their best to fulfill their customers' needs. [*Die Mitarbeiter von \$ setzen sich für die Belange des Kunden ein.*]
- The employees of \$ are always highly motivated. [*Die Mitarbeiter von \$ sind stets hochmotiviert.*]

*Decision-making authority*

- The employees of \$ are allowed to decide autonomously in customer matters. [*Mitarbeiter von \$ dürfen bei Kundenangelegenheiten selbständig Entscheidungen treffen.*]
- The employees of \$ have appropriate room for maneuver in solving customer problems. [*Die Mitarbeiter von \$ haben einen angemessen großen Handlungsspielraum bei der Lösung von Kundenproblemen.*]
- In the case of customer requests, \$'s employees do not need to ask their superior for permission. [*Bei Kundennachfragen müssen sich die Mitarbeiter von \$ nicht bei ihrem Chef die Erlaubnis einholen.*]

*Customer satisfaction*

- I am fully satisfied with \$. [*Ich bin mit \$ voll und ganz zufrieden.*]
- \$ always fulfills my expectations. [*\$ erfüllt stets meine Erwartungen.*]
- \$ has never disappointed me so far. [*\$ hat mich bisher noch nie enttäuscht.*]
- My experiences with \$ are excellent. [*Mit \$ habe ich sehr gute Erfahrungen gemacht.*]

*Emotional commitment:*

- I feel committed to \$. [*Ich fühle mich \$ verbunden.*]
- My relationship with \$ is important for me. [*Die Beziehung zu \$ liegt mir am Herzen.*]

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- If \$ were no longer to exist, this would be a significant loss for me. [*Wenn es \$ nicht mehr gäbe, wäre dies ein schwerer Verlust für mich.*]
- I would turn a blind eye to a minor mistake of \$. [*\$ würde ich auch einen kleinen Fehler nachsehen.*]

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*Customer retention*

- In future I will buy most media products/book my travel at \$. [*In Zukunft werde ich die meisten Einkäufe von Medienprodukten/Reisen bei \$ tätigen.*]
- I am a loyal customer of \$. [*Ich bin ein Stammkunde von \$.*]
- My next media product purchase/travel booking will take place at \$. [*Mein nächster Einkauf von Medienprodukten/Reisen wird bei \$ erfolgen.*]
- \$ is my first choice when it comes to buying media products/booking travel. [*\$ ist meine erste Wahl bei Medienprodukten/Reisen.*]

*Note:* Items are translated from the German original. \$ was replaced in the questionnaire by the service provider most recently visited by the consumer.