

# Impact of Customer Orientation of Service Employees on Customer Satisfaction towards Retention in Finance Companies

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## Abstract

The turn of the century has seen profound changes in the global economy. Marketing played a crucial part in these changes, because marketing are becoming the way organisations meet with their market. Customer orientation of service employee is very important to attract new customers and keep existing customers. Objective of the study is to identify the impact of customer orientation of service employees and customer satisfaction towards to customer retention.

**Keywords:** Customer satisfaction, customer retention, customer orientation of service employee

## 1.0 Background of Study

Service sectors play a vital role in the contemporary world. This is due to the growing importance of services in the gross domestic product (GDP) of many countries around the world. As of 2003, Many developed countries seem to have 70 per cent or higher of their GDP coming from services (World Bank report 2009). In Sri Lanka, around 59.3 percent of the GDP now comes from service sectors (Central Bank). Sri Lanka is a beautiful and attractive tourist place in the world. Sri Lankan governments pay more expensive promotional strategies to attract the tourist toward the country.

Customer orientation is a central theme in marketing. Nevertheless, it gives the impression that comprehensive and individual customer's needs are not covered. Normally the customer receives individual products and services which are not integrated. At this point, we ask specifically how this customer's need can be handled. We answer the question by focusing the possibilities of internet based markets and internet-driven virtual value chains. Morris & Venkatesh (2000) stated that customer orientation of service employee can be included into four main parts; they are motivation (behavior, personality emotion, and attitude), social skill (courtesy, body languages, tolerance, empathy) , technical skill (preparedness, thoroughness, and professionalism) decision – making (Know –How, intelligence )

It is widely acknowledged that efforts to define and measure the quality of tangible product, as distinct from services, have proved more successfully. The characteristics of services have made the determination of what constitutes quality that much more difficult and thereby its measurement less than complete. Service quality refers to the extent to which a service is what it claims to be and what it claims to do. It must not be confused with grade. In recent research conducted into the management of the UK service sectors, companies were asked to explain what the word 'quality' meant to them. Only a minority actually mentioned the customer, i.e quality had external focus responses included satisfied customers, repeat business, exceeding customer expectations and no complaints. The majority of respondents mentioned factors that are undoubtedly there to help achieve satisfied customers. E.g polite competent staff well resourced service, product knowledge and responsiveness. Generally feelings of customers about service quality can vary from customer to customer. This is due to the, customers feelings depend on customers' psychological factors.

Expectations are formed prior to usage of the service and perceptions are the customer's evaluation of the service. After the service has been consumed, customers will compare the perceived service with the expected service and if the perceived service meet or exceeds the expected service, the customers will be satisfied.

From the above explanation, we can conclude that customer orientation of service employees and customer satisfaction are closely connected and interrelated. In a way, the present study is initiated to find out the impact of customer orientation of Service Employee towards customer satisfaction, commitment and retention.

## 2.0 Research problem

Customer orientation of service employee and service quality are most important elements in achieving organizational goals. Organization tries to have constant customer satisfied with the service provided by it. 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, 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, 2002). Noteworthy exceptions are the studies by Kelley (1992), Brown et al.

(2002), Donovan et al. (2004), and Hennig-Thurau and Thurau (2003). This research study examines the customer orientation of service employees on customer satisfaction and commitment and retention in selected hotel in Sri Lanka. To what extents do customer orientations of service employees build the customer satisfaction, commitment, and retention in Sri Lankan Hotel?

### 3.0 Objectives of the Study

The main object of the study is to examine the customer orientation of service employee on customer satisfaction.

1. To identify the characteristics which determine the customer satisfaction;
2. To recognize the factors those influence the commitment;
3. To find out the relationship between customer orientation of service employee and customer satisfaction;
4. To identify the characteristic which determine the retention;
5. To suggest the hotels to increase the customer satisfaction and retention;

### 4.0 Review of the Literature

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 (Donovan et, 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, 2000), studies that explicitly address the concept of customer orientation of service employees are Kelley (1992), Brown. (2002), Donovan. (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. (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. Donovan 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. (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 (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.

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’ discriminate validity nor discuss the impact of these dimensions on employees’ or consumers’ behavior. Following hypothesis are taken for the present study

- H1 - The customer orientation of service employees has a positive influence on customer satisfaction.
- H2. The customer orientation of service employees has a positive influence on emotional commitment.
- H3. Customer satisfaction has a positive influence on emotional commitment.
- 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.

### 5.0 Data collection

The primary and secondary data was collected for the survey. Primary data are collected through questionnaires and secondary data was collected from books, journals, etc.

### 6.0 Research sample and Methodology

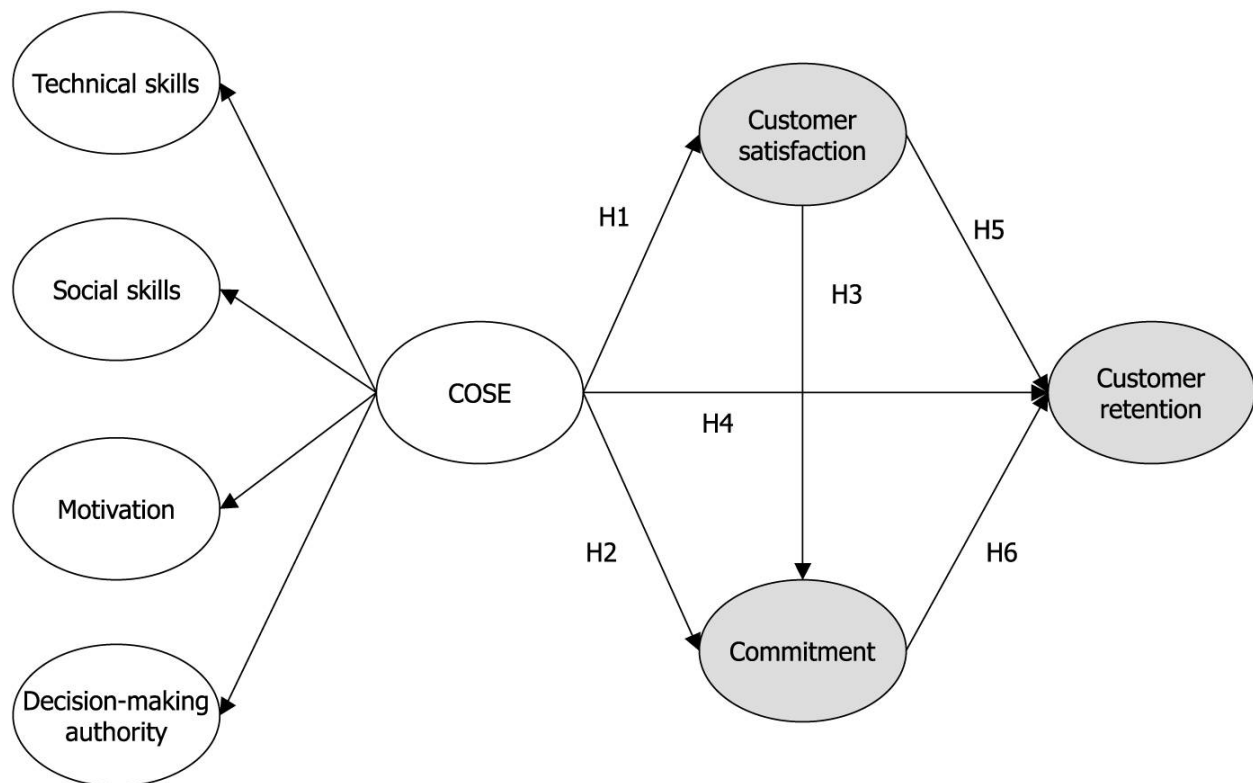
**Table 01:** Number of Respondents by demographic Variables

Characteristics		Frequency	Percentage
Gender	Male	51	55%
	Female	42	45%
Age	Below - 25	04	4.3%
	25-35	34	36.5%
	36-45	27	29%
	46- 55	18	19%
	Above 56	10	10.75%
Status	Married	58	62%
	Unmarried	35	38%

The study is limited to customers of the finance Company. Convenience sampling method has been adopted to select. Researchers issued one hundred (100) questionnaires to the selected customers of the finance company and out of which ninety and three (93) only returned with their responses. The above table gives details about the distribution of questionnaires. Research instrument is questionnaire which was designed to gather the data questionnaire consists of three part like A, B, and C. part –A is deals with demographical variables namely, sex, status, age, education, monthly income, and country. Part- B consists 16 statements to measure the customer orientation of service employees. Part –C is consists 19 statements to measure the customer satisfaction. By including although variables, questionnaire was prepared with five point Likert- scaling system. In a way, qualitative data were converted into quantitative and then details analysis was made with appropriate statistical tools, in order to prove the objective to test the hypothesis.

### 7.0 Conceptualization model

Conceptualization model shows the relationship between variables. Customer orientations of service employees are considered as independent variable whereas; customer satisfaction, commitment and retention are the dependent variables. Further determinate of customer orientation of service employees, customer satisfaction, commitment and retention are also shown in the above model.



### 8.0 Result and Discussion

The questionnaire was constructed for this study based on previous research and it was modified for the customer context. The questionnaire was tested and found to have high reliability and validity, as shown in table-01

Table No-01 Summary of the validity and Reliability Analysis

	Construct Validity KMO	Rotation sums of squared loading	Criterion Validity Factor loading	Reliability
Customer Orientation of Service Employees	0.839	0.783	0.682-0.896	0.915
Customer satisfaction	0.876	0.725	0.661-0.832	0.923
Customer retention	0.768	0.770	0.657-0.858	0.947

Kaiser –Meyer – Olkin (KMO) is a measure of sampling adequacy

The interactive effect between variables were explored in a regression analysis to verify the hypotheses with regard to the cause – and- effect relationship of customer orientation of service employees, customer satisfaction, and customer retention in finance companies.

Results table -02 shows that customer orientation of service employees has significant positive effect on customer satisfaction, thus supporting H1. Notably, customer orientation of service employees has a greater impact on customer satisfaction.

Table No -02

Regression Result of Customer Orientation of Service Employees on Satisfaction

	Customer Satisfaction
customer orientation of service employees	0.324
R <sup>2</sup>	0.309
Adj. R <sup>2</sup>	0.305
F	46.665

Note- significance at the 0.01% level regression coefficients in the table are standardized

The study is undertaken to find out the relationship between customer orientation of service employees and customer satisfaction. Correlation analysis was carried out to find out the nature of relationship between the

variable based on the value of correlation.

**Table 03**

**Correlation between customer orientation of service employees and Customer satisfaction**

customer orientation of service employees		Customer Satisfaction
	1	.678 (.000)
Job satisfaction	.678 (.000)	1

\*\* Correlation is significant at the 0.01 level

### 9.0 Limitation

Following limitations has been taken on the study.

Study is confined only the selected tourist Hotels which are located in Colombo City.

The customers are randomly selected in the suitable time frame work for the data collection.

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