

## Customer Emotions in Strengthening Relationship with Service Provider

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### Abstract

Individual emotions act as influential psychological dimension directing their thought and eventually decision making process. Earlier studies have examined the link of employee and customer relationship with respect to physical and psychosocial dimensions. Further extending the explanation of linkage, this study aims to examine the relationship in the presence of customer emotions and their overall impact on relationship strength with the organization. The descriptive research design is adopted to analyze the proposed dimensions and validate the model sustainability. Data collection was employed through a structured questionnaire and analyzed using multivariate techniques. Findings support the proposed hypothesis explaining the mediating role of customer emotions and therefore its role in maintaining sustainable relationship with the organization. The analytical results explain the dynamics of relationship between the front-line employee and customer in light of psychological factor i.e. customer emotions. Since emotions are the psychological dimension influenced highly due to cultural and demographic profiles, the relationship strength/intensity among the proposed dimensions within the model cannot be generalized for every industrial platform. Also the study is limited to the geographical area of Gujarat wherein the industry environment does influence the customer interaction process with the organization.

**Keywords:** Employee satisfaction, Employee commitment, Customer emotions, Customer retention.

### 1. Introduction:

Role of interplay between employee satisfaction or commitment and customer positive or negative emotions and their long term stability with service provider organization has gained attention among academicians as well the managers focusing upon strengthening customer relationship.

Indian corporate romance with employees-first culminated with Vineet Nayar's thought provoking book (Nayar, 2011). Employees were so far neglected population, mere moths to annual fire while customers have been in focus as Kings. With economic scenarios fast evolving, social and management researchers are testing with varying degrees the components such as employee satisfaction and commitment. This interplay is fast gaining ground in the areas of management; focusing both on human resources and customer relationship to build a sustainable competitive positioning. Good amount of literature exists that studied employee commitment, job satisfaction and work behaviors (Reisel et al 2010; Ashford et al., 1989) at one side of the divide. While on the other social scientists studied role of positive and negative customer emotions on purchase decisions (Sunghwan et al., 2010; Winterich and Haws, 2011; Fredrikson, 2001). This paper attempts to study the undercurrents of two human sides in the marketplace.

Scholastic studies and articles have explained the importance of managing satisfaction and commitment among the employees, especially the front-end employees since they act as a direct and defining source of organization's image and relationship builder among the customers. Studies also reveal that such influencing employee related factors affect customer's future intentions to continue service contracts with the service provider. However, more recently, customer emotions have emerged as an influential dimension affecting every behavioral display with the service provider (Tronvoll, 2011). These emotions are defined as the mental state of readiness arising from the cognitive appraisals of events. They are further categorized as positive and negative emotions depending upon the various aspects of information processing including encoding and retrieval of information, different strategies used to process information, evaluations and judgments, and creative thinking (Diener et al., 1995; Liljander and Strandvik, 1997; Bagozzi et. al, 1999; Tronvoll, 2011). Therefore these studies suggested that presence of positive/negative emotions affects the final outcome of the customer response and their relationship with the service provider.

There is a depth of literature that explains the relationship between employee related factors on stable relationship of customer with service provider. These studies also reflect the importance of customer trust, satisfaction and loyalty influencing the relationship strength (Mysen et al., 2011). However, the existing management and social science literature does not explain the role of employee satisfaction and commitment

on customer relationship strength and its scope in presence of specific emotional state. The present study therefore identifies the role of customer emotions as a gap in existing literature explaining the effect of employee emotions on customer relationship. It further intends to explore the effect of employee commitment and satisfaction on customer relationship stability. The research model explores the role of customer emotions as a mediator, mediating the predefined above relationship in the literature. Therefore, the objective of this descriptive research is to study the effect of employee commitment and satisfaction on customer relationship stability in the presence of various forms of customer's emotions. The authors test whether employee satisfaction and commitment affect customers' long term stability with the service provider organization.

## 2. Literature Review

Emotions are defined as mental state of mind emerges from the cognitive appraisals of event during individual interactions with the surroundings. Such expressions are argued to be originated in response to an appraisal, an evaluative judgment, of something of relevance to one's well-being (Bagozzi et al., 1999; Tax et al., 1998). Looking forward to its importance with organizational perspective, individual 'Emotions' are identified as a major contributor to displayed human behavior representing the strength of their relationship with the organization. van Dolen et al. (2004) argued that customer emotions are extensively influenced by employee behavior. Since the industry exhibits the framework of co-creation to a greater extent, thence both employee and customer plays a major role in overall service success and value creation. Exploring this dimension further, the present study focuses on integrated relationship of employee and customer, affecting service provider's strength of relationship with their customer in future.

Recent decades have witnessed a burgeoning interest in the role of emotions in decision-making across several different fields including, marketing, psychology and economics (Schwartz, 2000; Baumeister and Vohs, 2007). There has been relatively little reported research into the differential effects of positive and negative emotions, and furthermore, whether emotions act differently on core and secondary components of a service offer. Therefore, this study intends to explore the effect of employee commitment and satisfaction on customer relationship stability. The research model explores the role of customer emotions as a mediator, mediating the predefined above relationship in the literature. Therefore, the objective of this descriptive research is to study the effect of employee commitment and satisfaction on customer relationship stability in the presence of various forms of customer's emotions.

Earlier studies on emotions have investigated structural aspects of emotional experience of consumption and its ability to predict satisfaction (Dube and Morgan, 1996). Research in experimental psychology and neuroscience has established that all emotions arise from events associated with one of two orientations: approach or avoidance (Carver and White, 1994; Davidson, 1992). Approach emotions stem from success or failure at approaching a reward and from events signifying the presence or absence of rewards (Higgins, 1996; Higgins et al., 1997). For example, happiness arises from achieving a perfect score on an exam (reward), whereas dejection stems from not earning the perfect score (absence of reward). In contrast, avoidance emotions arise from success or failure in avoiding a threat or events signifying the presence or absence of a threat. For example, calmness results from not failing an exam (absence of threat), and anxiety stems from failing an exam (Higgins et al., 1997).

With the changing industry dynamics and consume behavior, area of consumer psychology has gained considerable attention among researchers and prompted them to examine the role of their emotions in decision making process. The concept has attracted considerable recent interest in the field of customer satisfaction research. Number of studies suggests that customer satisfaction, loyalty, and future behavioral intentions are influenced by customer's emotions during service encounter (Barsky and Nash, 2002; Cronin et al., 2000; Oliver et al, 1997). Hoch and Lowenstein (1991) emphasized that customers mainly focuses upon immediate pleasure gains which during service failure results in the arousal of negative feelings like shame, guilt, regret or an embarrassment. Such psychological pain affects the satisfaction achieved during the process of service consumption which later influences consumer intention to retain in future. Such behavior therefore suggests the strength of relationship shared between the service provider and the consumer due to expression of several positive and negative emotions (Choraria, 2013).

Conventional wisdom and most of past research suggests that emotions, especially negative ones, can adversely affect decision-making and can have both short and long-term consequences. Garg et al. (2005) highlighted the impact of different discrete negative emotions (e.g., anger, fear, sadness) on a variety of decision-related dependent variables. The idea being that experiencing of negative emotions can guide bad decisions. Similarly, Tiedens and Linton (2001) showed that negative affect (e.g., anger) leads to impulsiveness and shallow-processing of information. Others have similarly documented detrimental effects of negative effect on performance (Zeelenberg and Beattie, 1997), product evaluation and brand attitude (De Houwer, 2001). Hence a

picture that emerges from the above literature consistently portrays that negative emotions generally impair judgment and decision-making. This indicates the basis for our first hypothesis that states that:

*H1: Customer emotion affects customer intent to retain with the service provider.*

Liau and Chuang (2007) pointed out the role of employee behavior affecting customer satisfaction and their future behavioral response towards service provider. Choraria and Bhattacharjee (2011) identified the importance of commitment and satisfaction among the employees as among the major players influencing customer satisfaction as well their future relationship with service provider. Conceptualization of satisfaction is been identified as an emotional or cognitive response with respect to the evaluation of the perceived inconsistency between the expected and the actual experience created during the interaction (Tse and Wilton, 1988). Similarly, employee commitment indicates individual's psychological state influenced by the set of expectations met at working premise (Choraria and Bhattacharjee, 2011). Chen et al (2002) explained that employee commitment influences their performance and overall productivity within the organization. Within the database, extent of literature explains the relationship between employee related factors on stable relationship of customer with service provider. These studies also reflect the importance of customer trust, satisfaction and loyalty influencing the relationship strength (Mysen et al., 2011). There exist few studies that focus on both positive and negative emotional aspects of customers affecting customer-clientele relationship scope (Lucas, 1995; Parrott, 2001). However, the literature of management and social science does not explain the role of employee satisfaction and commitment on customer relationship strength and its scope in presence of specific emotional state. However, since this study examines customer emotions as the major influencer of overall organization's performance, therefore, both employee commitment and satisfaction are established as the major influencing factors that triggers set of customer emotions.

*H2: Employee commitment influences customer emotions during overall service consumption process.*

*H3: Employee satisfaction influences customer emotions during overall service consumption process.*

The proposed framework further extended with the argument of establishing role of emotions as a mediator that plays a vital role in creating effect between employee commitment and satisfaction on customer retention with the organization. As said earlier, set of emotions are expressed by the customers indicates their nature of experience built during service consumption and employee interaction (Hongyi and Man, 2011; Ranaweera and Neely, 2003). Tronvoll (2011) emphasized that controlling the expressions of such emotions eventually affect their future relationship intention with the service provider. His study indicated towards impact of negative emotions that arise due to service failure and employee inability to control the environment. However, there are few studies that supports that process of service recovery stimulates higher level of positive emotions among customers than meeting customer expectation in first attempt. This indicates that employee behavior influence customer emotions at an initial stage and thereby trigger their intention to retain with the organization.

*H4: Customer emotions mediate the relationship effect between employee commitment and customer retention.*

*H5: Customer emotions mediate the relationship effect between employee satisfaction and customer retention*

Although previous studies have examined several dimensions of emotions and its interaction with behavioral dimensions, there exist very few studies which provide the clear indication of exhibited expression/ behavior within respective arena of business. Also, service industry is one of the complex platforms wherein dimensions of success keep of redefining. The above framework would contribute in understanding the role of emotions in service industry and its contribution in retaining the profitable chunk of customers for the organization with respect to employee commitment and satisfaction towards the organization.

### **3. Research Methodology:**

The proposed model in this descriptive study consists of four major variables. To measure each proposed dimension, structured questionnaire has been used as a data collection tool. The questionnaire has been designed on the basis of scholarly research studies which include study by Choraria (2013), Choraria and Bhattacharjee (2011), Tronvoll (2011) and Parrott (2001). In continuation of the previous research study (Choraria, 2013), the electronic dealers from the major Indian cities are identified as a sampling frame whereas each employee and customer were considered as a sample unit. The target sample was identified by convenience sampling method. The final sample comprises of 230 respondents (both employees and customers).

Statistical methods like descriptive statistics, Cronbach's alpha coefficient, normality, factor analysis have been used to examine the usability of the data. Later, confirmatory factor analysis followed by structural equation modeling has been performed to examine the relationship and the effect of emotions as a mediator.

### **4. Data Analysis and Discussion**

Responsive data obtained from the target sample of employees and customers comprises of total 230 responses for each category. To proceed with the further analysis, the data has been screened to fulfill the basic assumptions of structural equation modeling/multivariate analysis. Normality, outliers and collinearity is

examined using descriptive analysis confirming the usability of the dataset. The reliability (Table 1) of the constructs within the dataset is examined using the Cronbach's alpha coefficient which reflects the values above 0.6 meeting the required threshold (Malhotra and Dash, 2010). Few items proposed in the questionnaire were removed during factor analysis due to low factor loadings (below .30). The concept of these items was also proposed by other existing items since the questionnaire consists of multiple items to measure the same construct/dimension. The validity of the model is explained with the results of convergent validity (Table 1) along with model fit indices.

[Table 1. Results of Convergent Validity and Reliability]

The items in each construct were further analyzed using confirmatory factor analysis. This analysis also indicates the fitness of the model in the presence of proposed constructs. The value of  $X^2/DF$  is 1.58 (within the range of 1-3), Root Mean Square is .078 (below .08), Root Mean Square of Approx. is .050 (below .05), Incremental fit index and comparative fit index is above .095, thus represents the good model fitness (Hair et al., 2006). Structural equation modeling is thereby used to examine the paths among the proposed constructs. The results indicate the significant mediating effect of the customer emotions explaining the mechanism of relationship between employee satisfaction/commitment and customer relationship stability (Table 2).

[Table 2. Mediating effect of customer emotions]

The regression effect obtained by structural equation modeling provides strong support for every proposed hypothesis (Table 3). Of the said hypothesis, the initial three hypotheses indicate the direct effect while hypothesis H4 & H5 explains the mediating (indirect) effect. The results supports that customer emotions has its related effect upon their intention to maintain their relationship with the organization. It supports the overall effect of employee commitment and satisfaction on customer emotions supporting the link between employee and customer. Establishment of direct path supports the arguments by the early authors indicating the important link on the basis of individual psychology and its effect on achievement of organizational objective and goal (Gotsis and Kortezi, 2011; Lee et al., 2010; Namasivayam, 2005). This provide a clarity in alignment of strategy related to employee as well customer management (Pantouvakis and Bouranta, 2013; Gupta, 2012; Schlager et al., 2011; Slåtten, 2010).

[Table 3. Result for Hypothesis]

The result further explores and supports the mediating effect of customer's emotion influencing the effect of employee commitment and satisfaction on customer's retention intention with the organization. As discussed above, employee commitment and their satisfaction towards the job have considerable role to play in with customer's satisfaction which later influence heir future decision towards relationship sustenance with the organization. Further understanding the dynamics of such relationship effect between the front-line employees and the customers, customer emotions have emerged as an booster that affect the entire proposed path of relationship. Therefore this stage of the model examines the aspect of psychological dimension as a mediator with the customer point-of-view. The quantitative analysis significantly establishes the role of emotions as a mediator and its importance in clarifying the dynamics of effect that occurs between employee and customers during service encounter.

## 5. Conclusion:

Emotions influencing the individual's state of decision making process has always gained its importance among the researchers of varied field. Further extending the exploration of individual's emotional effect in their daily based activities the paper study its role as a mediator explaining the linkage between employee and customer relationship thereby influencing organization's motives significantly. The study concludes the maintaining high level of satisfaction and commitment among the employees increases customer's retention intention. the model also provides a conclusive significant role of emotions that increases the effect of customers retention intention higher when interact with the front-line employees in service organization. The proposed model is validated for specifically the employees and customers engaged in B2B activities, specifically from the electronic dealership industry. However due to the diversity and variability in the nature of industry, the studied model cannot be generalized for the population. The level of mediation effect might differ on the basis industry and the type of customer involvement within the service industry.

## 6. Research Implication:

The finding of the study indicates the need for a service firm to strategically leverage on the key antecedents of customer loyalty and relationship quality in its pursuit of customer retention and long term profitability. The study identifies the types of the most effective efforts required in maintaining the same kind of positivity and rather elevating it to higher scales. The results provide insight regarding the role of customer's emotion explaining the effect of dealers'/employees' satisfaction and commitment with good services on customer's intention for service continuity.

Study explains that positive emotional responses between employees and customers lead to stronger relationship and be more committed to the organization. The results support that employee satisfaction and commitment does affect the customer relationship stability with the firm, however, such relationships can be better understood in presence of customer emotions. Therefore along with creating healthy employee interaction with organization as well as customers, it is also required to trace the prevailing emotions among the customers and thereby respond accordingly. Previous studies on customer's emotions explain that emotion influences customer behavior and their decision making process with respect to firm services. Following such studies, this study supports the argument and also emphasize that managing negative customer emotions along with front-line employees increases the customer's future intention of relationship stability with the firm.

Such strong and stable relationships between organization and customers promote referral marketing through customers, build loyal customer base, create strong positioning and brand image. Thus, organizations are required to provide training to their front-line employees such that they could focus and manage the emotional state of customers considerably.

### 7. Research Limitations:

The research model considers and is restricted to employee satisfaction and commitment as the major independent variables affecting customer's relationship with the organization. There exists several set of factors classified under categories of employee-customer, organization-customer and customer-customer interaction that affects the overall relationship strength. Also, this study is based on the respondents from the major cities of India and is restricted to the electronic service category. Therefore, the mediating effect of emotions might differ on the basis of the factors defined in the literature of relationship marketing, service sector as well on respondent's cultural, demographic and geographical parameters.

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Table 1. Results of Convergent Validity and Reliability

	CFA Loadings	Reliability
Employee Satisfaction		0.743
SS5 <--- SATIF	0.462	
SS6 <--- SATIF	0.804	
SS7 <--- SATIF	0.877	
Employee Commitment		0.831
CC7 <--- COMIT	0.765	
CC6 <--- COMIT	0.9	
CC5 <--- COMIT	0.705	
Customer Emotions		0.796
EE2 <--- EMOT	0.805	
EE3 <--- EMOT	0.51	
EE4 <--- EMOT	0.469	
EE5 <--- EMOT	0.587	
EE6 <--- EMOT	0.882	
Relationship Stability		0.648
STA4 <--- STAB	0.414	
STA1 <--- STAB	0.767	
STA2 <--- STAB	0.789	
STA3 <--- STAB	0.316	

Table 2. Mediating effect of customer emotions

Path	Direct Effect	Indirect Effect	Total Effect
ES--->CE	0.68*		
EC--->CE	0.42*		
CE--->RS	0.70*		
ES--->RS	0.15**	0.32*	0.47*
EC--->RS	0.12*	0.17*	0.29*

\* p<.001, \*\* p< .05

ES= Employee Satisfaction, EC=Employee Commitment, RS= Relationship Stability, CE= Customer Emotion

Table 3. Result for Hypothesis

Proposed Path	Regression Effect	Result
H1: Customer emotion affects customer intent to retain with the service provider	0.70*	Supported
H2: Employee commitment influences customer emotions during overall service consumption process.	0.42*	Supported
H3: Employee satisfaction influences customer emotions during overall service consumption process	0.68*	Supported
H4: Customer emotions mediate the relationship effect between employee commitment and customer retention.	--	Supported
H5: Customer emotions mediate the relationship effect between employee satisfaction and customer retention	--	Supported

\* p<.001, \*\* p< .05



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