Turning customer satisfaction measurements into action

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ABSTRACT

Purpose - The purpose of this research is to contribute to the literature on customer orientation by developing and empirically testing a model that attempts to explain the elements that constitute customer orientation and that, in turn, influence customer satisfaction. In particular, this study focuses on how service firms design, collect, analyse and use customer satisfaction data to improve service performance. This study has the following three research objectives: (a) to understand the process and as a consequence the phases that constitute customer orientation, (b) to investigate the relationships between the different phases of customer orientation and customer satisfaction and (c) to examine the activities in the different phases of customer orientation that result in higher customer satisfaction.

Design/methodology – This study combining quantitative and qualitative research is based on a cross-sectional survey of 320 service firms and a multiple case study of 20 organisational units at a large service firm in the telecom industry in Europe.

Findings – The results show that customer orientation consists of a process that includes three phases: strategy, measurement and analysis, and implementation. Contrary to previous research, implementation has the strongest influence on customer satisfaction. In turn, customer satisfaction influences financial results. In-depth interviews with managers provided insights into the specific activities that are keys to turning customer satisfaction measurements into action.

Originality/value – This research contributes to the literature on customer orientation by developing and empirically testing a model that attempts to explain what constitutes customer orientation and, in turn, influences customer satisfaction and financial results. Given the large amount of research on customer satisfaction, studies on how service firms collect and use customer satisfaction data in practice are scarce.

Keywords: customer orientation, phases of customer orientation, usage of customer satisfaction data, customer satisfaction.

INTRODUCTION

> *'There is only one boss, the customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else'.*
> Thomas Edison

Slogans such as 'The customer comes first' or 'The customer is king' are quite common in business terminology. These slogans are used to emphasize the role of the customer to the stakeholders such as owners and employees of a service firm. The existence of such slogans is natural because the strategic objective of firms should be to improve customer satisfaction and, consequently, generate more loyal customers and better financial results (Fornell et al., 1996). Customer orientation becomes the key in this process and a source of sustainable competitive advantage (Kumar et al., 2011). Customer orientation is a set of beliefs that put the customer's interest first (Deshpande et al., 1993). The basic idea is quite simple and suggests having an attractive service offering and considering customers' opinions (Wilson et

al., 2008) to satisfy customers and to avoid 'overshot' customers (Lukas et al., 2013). Interestingly, customer orientation per se, particularly for service firms, is not well researched (Brown et al. 2002), although exceptions such as Zabhla et al (2012) exist. A key source of information for firms' customer orientation pursuits is customer satisfaction surveys and their measurements.

Many firms use customer satisfaction measurements to evaluate the performance of goods, services and employees and try to link them to customer attitudes and behaviour (Peterson and Wilson, 1992, Johnson and Gustafsson, 2000). The key role of customer satisfaction as an indicator of a firm's performance has been recognised and its relationship to market share and the financial results of the firm is well established (Fornell et al., 1996). The underlying customer orientation activities include designing, collecting, analysing, making decisions and improving offerings based on customer satisfaction data (Johnson 1998; Morgan et al., 2005). Typically, measuring customer satisfaction is the largest annual market research expenditure that a firm makes (Wilson, 2002). Surprisingly, given the attention in research on customer satisfaction, studies on how service firms collect and implement relevant customer satisfaction information are scarce (Morgan et al., 2005).

Consequently, the purpose of this research is to contribute to the literature on customer orientation by developing and empirically testing a model that attempts to explain the phases that constitute customer orientation and, in turn, how customer orientation influences customer satisfaction. This study has the following three research objectives: (a) to understand the process and as a consequence the phases that constitute customer orientation, (b) to investigate the relationships between the different phases of customer orientation and customer satisfaction and (c) to examine the activities in the different phases of customer orientation that result in higher customer satisfaction. This research is based on a cross-sectional survey of 320 service firms and a multiple case study of 20 organisational units at a large service firm in the telecom industry in Europe. It is a combination of qualitative and quantitative research. The findings show that customer orientation consists of three distinct yet interrelated phases, with the implementation phase having the strongest influence on customer satisfaction. In-depth interviews with managers provided insights into issues related to the usage of customer satisfaction data in service firms.

THEORETICAL FRAMEWORK

Customer orientation

Customer orientation can be viewed as developing an understanding of customers to be able to continuously create superior value for them (Narver and Slater, 1990; Ruekert, 1992). This research adopts a process view of customer orientation and builds on the definition of customer orientation as the 'degree to which the organisation obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customers' needs and wants' (Ruekert, 1992 p. 228). Customer orientation emphasises an organisation's ability to attain customer information, to analyse it to set priorities for improvement and, finally, to use these priorities to drive product and process change (Johnson, 1998; Johnson and Gustafsson, 2000). In particular, this research focuses on how service firms design, collect, analyse and use data from customer satisfaction measurements to improve service performance (Gustafsson and Johnson, 2003). Two main bodies of literature build our theoretical framework on

customer orientation as firms' usage of customer satisfaction data and provide a theoretical foundation that links it to business performance. These bodies of literature are (1) the use of customer satisfaction measurements and (2) the use of market research. At this point we would like to point out that customer orientation is not the same concept as market orientation (Narver and Slater, 1990). Customer orientation can be seen as the process that a company applies to think strategically, measure, and use customer satisfaction data.

The first stream of research originates from studies on customer satisfaction as a phenomenon, in particular, research related to customer satisfaction indices such as the ACSI (Fornell et al., 1996). The majority of these studies focused on customer satisfaction per se and its measurement; few publications focused on managers' use of customer satisfaction data in their work (Morgan et al., 2005). Consequently, very little is known of the implementation process, in other words, when the results from customer satisfaction surveys are operationalised into a firm's change process. Interestingly, researchers found that companies are investing more in collecting and storing customer information than in analysing and using the information they already possess (Rollins et al., 2012). Similarly, Morgan et al. (2005) found that too few resources are being allocated to the analysis, dissemination and utilisation of customer satisfaction data for the purpose of realising the potential payback from investments in data collection. In addition, Rollins et al. (2012) suggested two types of use for customer satisfaction data: action-oriented and knowledge-enhancing information use. Action-oriented customer information use is what we are interested in and it also has the strongest relationship to customer satisfaction and concerns the direct application of customer information to solve a problem.

The second stream of research concerns the use of market research (Deshpande and Zaltman, 1984) and focuses on how market researchers and managers perceive, use and evaluate market research. Interestingly, how service firms are organised actually influences the use of market research; less formalised and centralised organisations use market research to a greater extent (Deshpande and Zaltman, 1982). Deshpande and Zaltman (1987) further elaborated on the role of the organisation and suggested that cross-functional teams are involved in decision making in B2B firms to a greater extent. Deshpande and Zaltman (1982) suggested that the use of market research is influenced by the degree of predictability of the results, indicating that managers receive results that they deem logical. A high degree of unpredictability reduces managers' acceptance of market research findings. In addition, the technical quality of market research receives little attention when the findings confirm managers' beliefs, whereas it receives more attention when the results are unpredictable. Finally, Pont (2004) suggested that previous experiences using market research have significant influences on the role of market research in decision making.

Phases of customer orientation

The view that customer orientation is the process of designing, collecting, analysing and using customer satisfaction data is quite common. Despite this common assumption, few studies actually analyse the practices of service firms. Two exceptions are Morgan et al. (2005) and Johnson (1998), which both investigated the use of customer satisfaction data and categorised the activities into phases of customer orientation. Morgan et al. (2005) analysed the process of customer information usage (CSI) and defined it as consisting of four different sub-processes:

(1) customer satisfaction data scanning, (2) customer satisfaction data analysis, (3) customer satisfaction information dissemination and (4) customer satisfaction information utilisation.

In an empirical investigation of 38 firms, Morgan et al. (2005) suggested that firms facing intense competition use customer satisfaction in decision making to a larger extent than do firms facing a less competitive situation. In the first phase, the authors identify formalisation, frequency, measures and sampling as key areas of customer satisfaction data scanning. In the customer satisfaction data analysis stage, Morgan et al. (2005) emphasised data integration, analytical sophistication and the relationships examined. Customer satisfaction information dissemination is concerned with how a firm often creates information on customers in one department, whereas employees acting on the information are dispersed over different departments in the firm. Finally, research on customer satisfaction information utilisation shows that most firms use information on customer satisfaction for only a limited number of decisions, most of which are in the domain of customer service and account management. In addition, research suggests that service firms should get the highest return on investments by improving the customer satisfaction measurement system.

The model by Morgan et al. (2005) focused on activities closely related to a system for measuring customer satisfaction, whereas Johnson (1998) suggested a model that covers a wider set of activities ranging from strategy to implementation of information on customer satisfaction. This model consists of four phases: (1) customer strategy and focus, (2) customer satisfaction measurement, (3) analysis and priority setting and (4) implementation. In the first phase, an organisation revisits the role of customers and customer orientation in its overall strategy. One important issue to consider is how customer satisfaction as a business goal should be positioned in relation to other goals, such as innovativeness, effectiveness and financial results. Johnson (1998) emphasised identifying the lens of the customer in the second phase. This lens is then used when deciding on the customer information to collect and how to design the survey and perform data collection. In the third phase, the information gathered from customers is analysed and prioritised. Decisions are made on the specific areas of improvement to consider and how they are to be treated within the organisation. Finally, the fourth phase concerns the implementation of improvements in products and services.

Despite the identification and conceptualisation of the alternative phases of customer orientation, the different phases were not taken into account when the effects or consequences of customer orientation were investigated (e.g., Homburg et al., 2011). In particular, Morgan et al. (2005) suggested that understanding the relative payoff of investing in different phases of customer orientation is an important step in building knowledge on how to use data on customer satisfaction in service firms.

The relationship between customer orientation, customer satisfaction and financial results

According to Narver and Slater (1990), customer orientation is one of three behavioural components constituting market orientation, the two others components being competitor orientation and interfunctional coordination. Empirical research by Narver and Slater (1990) and Jaworski and Kohli (1993) provided evidence that a positive relationship exists between market orientation and profitability. However, when market share was used as a measure of performance, no relationship was

found. Noble et al. (2002) further investigated the relationship between the individual components of market orientation and organisational performance. Their findings showed that competitor orientation is significantly related to performance, whereas moderate support exists for a relationship between inter-functional coordination and performance and no support exists for a relationship between customer orientation and performance.

Not many studies provide evidence for the direct effect of customer orientation on organisational performance (Noble et al., 2002). Guo (2002) claimed that superior financial results are not a direct consequence of customer orientation. Instead, customer satisfaction is the intermediate construct that connects customer orientation and financial performance. Note that none of these studies investigated the use of data on customer satisfaction and their relationship to customer satisfaction; instead, they investigated much broader concepts; market orientation. We do know that firms with higher customer satisfaction perform better (Fornell et al., 1996). However, we do know very little of the process leading up to a higher performance in customer satisfaction.

Based on previous research, the customer orientation construct must be broken down into different phases to identify the effects of customer orientation on customer satisfaction and financial performance. However, the number of phases that build up customer orientation must first be identified. Furthermore, the customer orientation phases are anticipated to be interdependent, and each phase likely has a direct effect on customer satisfaction.

RESEARCH METHODOLOGY

This empirical study can be described as a sequential study combining quantitative and qualitative research (Tashakkori and Teddlie, 1998). First, a cross-sectional survey was performed, followed by a multiple case study at one of the largest telecom providers in northern Europe. The purpose of the cross-sectional survey was to investigate the first two research questions, in other words, to understand the phases that constitute customer orientation and to investigate the relationships between the different phases of customer orientation and customer satisfaction. The purpose of the multiple case study was to further test the relationship between customer orientation and customer satisfaction and to examine the activities in the different phases of customer orientation that result in higher customer satisfaction. The use of several methods within one research study is also known as mixed methodology or triangulation and it increases the reliability of the results (Gummesson, 2000).

Study 1: A cross-sectional survey of service firms

Sample

Surveys were sent to marketing managers of European service firms. The firms in the sample came from a selection of different industries and were purchased from an external database. Managers working at a service firm and with experience using different market research techniques to measure customer satisfaction were asked to participate. Reminders were mailed to non-respondents one week and two weeks after the initial mailing. The final sample consisted of 311 questionnaires, representing a response rate of 34 percent. The procedure recommended by

Armstrong and Overton (1977) found no statistically significant differences between early and late respondents. The sample included service firms such as hotels, transportation firms, renting and real estate, construction services and business services. The firms in the sample ranged in size from only a few employees to several thousands of employees. Approximately 66 percent of the firms operated predominantly in a business-to-business market, with the remainder in the consumer market. In the analysis, the sample was divided in two parts; one including B2B firms and one B2C firms.

Measures and descriptive statistics

This study focused on the use of data from customer satisfaction surveys to measure customer orientation. Based on previous research, items were identified to measure the activities throughout the customer orientation process, including strategy, study design, analysis, decision making and implementation. The idea was to cover all activities described in the models by Morgan et al. (2005) and Johnson (1998). Altogether, 30 items were developed and tested in a small-scale survey that was sent to managers for feedback. This face validity check led to further development of the items and resulted in a survey with 25 items measuring customer orientation using a Likert scale (1 to 10).

Business performance was measured using two different constructs: customer satisfaction and financial results. Customer satisfaction was measured using the two items of level of customer satisfaction and customer complaints, and the financial results were measured using the two items of level of market share and financial performance (Jaworski and Kohli, 1993). These two constructs are subjective performance measures, a common practice in research into firms and business units (Powell, 1995).

Analysis and results

The sample was divided in two subsets. The first sample was used to identify the number of phases of customer orientation and the second sample was used to validate the number of phases identified and to investigate the relationships between customer orientation, customer satisfaction and financial results.

As a first step, explorative factor analysis was used on the first subset of the sample (n=220) with B2B firms to identify the number of customer orientation phases. After eliminating items that did not load sufficiently on any factor, 16 items were identified that loaded on three factors. These three factors had eigenvalues larger than 1 and captured 60 percent of the variation in the material. Based on a content analysis of the items, the three factors were identified as strategy, measurement and analysis and implementation. Based on this analysis, a conceptual model of customer orientation was developed. In this model, the phases are interrelated and have a direct effect on customer satisfaction, which in turn has an effect on financial results (see Figure 1).

- insert Figure 1 about here –

As a second step, the conceptual model of customer orientation was tested on a second sample with B2C firms using partial least squares (PLS) (Wold, 1982; Fornell and Cha, 1994). PLS integrates principal-components analysis into multiple regression (Wold, 1982) and was selected because it works well for small samples and for conceptual models that aim to explain and predict financial results (Fornell

and Cha, 1994). Essentially, the procedure extracts the first principle component from each subset of measures for the various latent variables and uses these principle components within a system of regression models that adjusts the weights of the principle-components to maximise the models' predictive power. The customer orientation constructs were modelled as reflective constructs, and customer satisfaction and financial results were modelled as formative constructs.

The reliability and validity of the conceptual model was tested using Cronbach's alpha and the average variance extracted (AVEs). The Cronbach's alphas for the three customer orientation phases were all greater than 0.70 (Nunally, 1978). The discriminant validity of the constructs was tested by comparing the AVEs of the latent variables with the square of their correlations (Chin, 1998; Fornell and Larcker, 1981). The correlation matrix of the latent constructs, for which the diagonal elements are replaced by the square root of the computed AVEs, was used to make this comparison; see Table 1. The higher values for the diagonal elements compared with the off-diagonal elements suggest good discriminant validity for the constructs used in this study. Note that the Cronbach's alphas and AVEs only have meaning for constructs with reflective indicators.

- Insert Table 1 about here -

The operationalisation of the conceptual model explains 22 percent and 21 percent of the variation in customer satisfaction and financial results, respectively; see Table 2. The effects between the different phases of customer orientation are much larger than the effects of the different phases of customer orientation on customer satisfaction. The different phases of customer orientation are interrelated, and the strategy (b=0.21) and implementation (b=0.27) phases have a direct effect on customer satisfaction, whereas the effect of measurement and analysis has only an indirect effect on customer satisfaction through the implementation phase. Consequently, customer orientation for service firms was established as consisting of three phases.

- Insert Table 2 about here –

To validate the model, we tested it for the sample with B2B firms that were used to identify the number of customer orientation phases. The model behaves as expected, but with weaker relationships between the core constructs in the model and with lower explanatory power (R^2 equals 0.10 and 0.06 for customer satisfaction and financial results respectively). The relationships between the different phases of customer orientation and customer satisfaction are 0.23 for strategy, 0.01 for measurement and analysis and 0.14 for implementation. These results are consistent with a higher reliance on closer customer relationship with each individual customer for B2B firms.

Study 2: An in-depth study of customer orientation at a service firm

The cross-sectional study described in study 1 revealed the customer orientation phases and their influence on customer satisfaction. However, this study only used managers' perception of customer satisfaction to investigate the relationship between customer orientation and customer satisfaction. Study 2 identified the relationship between customer orientation and customer satisfaction and the specific activities in a certain phase that contribute to customer satisfaction.

Description of the study

The in-depth study of a service firm was built on an e-survey of 19 business units and a case study of five business units. The e-survey was a shorter version of the survey used in study 1 to cover the activities in the different customer orientation phases. In addition, access was provided to the customer satisfaction data for the different business units, making it possible to investigate the relationship between the units' customer orientation and customer satisfaction. For the case study, four managers from each management team of five business units were interviewed. The selection of cases was based on achieving a variation in the use of a customer satisfaction measurement system in the service firm. The interviewed managers were the CEO of the business unit, the manager of customer relations, the service manager and the sales manager. The interviews were semi-structured, i.e. a structured question scheme was used but subsequent questions were triggered by respondents' answers. Altogether, 20 interviews were performed, recorded and transcribed.

Content analysis was performed on the transcribed interviews to receive a numerical summary of the text (Neuendorf, 2002). The first task was to determine proper categories, i.e. the activities performed in the different phases of customer orientation. Essentially, two approaches may be used to create the categories (Neuendorf, 2002). The first approach is to study and establish categories from the text, while the second approach is to use prior research to determine categories. Both approaches were used to develop the categories, with more emphasis placed on prior research. Two researchers (not authors of this paper) performed the content analysis. To study the statements in the context in which they were used, they were asked to rate a statement as negative, neutral or positive and not just to count the occurrence of a statement. Inter-rater reliability was 94 percent; in other words, the ratings only differed in 6 percent of the cases. To support the content analysis, individual messaging in the form of separate narratives was also used.

The relationship between customer orientation and customer satisfaction

First, the empirical investigation into the relationship between customer orientation and customer satisfaction was performed for 19 business units. Overall, 42 managers responded to our survey, representing 19 business units. First, a subset of seven items building up customer orientation were used in a factor analysis (n=42) in which one factor was extracted that encompassed 62 percent of the variation with a Cronbach's alpha of 0.87. Given the small number of business units (n=19), we used a GLM model (General Linear Model) to investigate the direct effect of customer orientation on customer satisfaction ($F=7, 8$, $p<0.01$). The effect was positive ($b=2.2$; $p<0.01$) and $R^2=0.27$; in other words, customer orientation has a direct effect on customer satisfaction. This result shows that using data on customer satisfaction in a service firm to guide decisions and improvements has an effect on customer satisfaction but does not tell us what activities to perform in the different phases. Hence, in-depth interviews were performed to understand the phenomenon in greater detail.

Managers' views on using customer satisfaction data

Very few of the managers use information on customer satisfaction to make decisions. The results may be interpreted as managers not believing that customer satisfaction surveys contain the correct information necessary to guide their

decisions. The main use for high-end users of customer satisfaction data is to compare the results with other units, followed by identifying areas for improvement. The interview transcripts show that managers use customer satisfaction data for validation, in other words, to understand how customers view their services.

> *'It is incredibly important to have knowledge about the customers' opinions, it is impossible to guide the organization otherwise'.*
>
> *Manager, Business Unit 1*

To use customer satisfaction data, managers must trust the quality of the data. However, finding positive views on the customer satisfaction measurement system is difficult, even from managers who are high-end users. A general lack of trust of the data seems to exist, and managers generally believe that improvements to service operations are not reflected in customer satisfaction data.

> *'I think that it is better using an average because it gives a more correct picture. I do not know for sure, but I think that there are many organisational units that have a lot of fours [out of five]. But they end up at the lower end of the scale'.*
>
> *Manager, Business Unit 2*

Regarding measurement and analysis, managers repeated that the customer satisfaction measurement system seems inadequate as a foundation for setting priorities when developing an implementation plan to improve customer satisfaction and financial results. To some extent, managers suggested that quantitative analyses should be complemented with qualitative market research.

> *'The results are too general and not deep enough. I have difficulty determining what to work on based on the results. Recently we have been given access to the customers' open [qualitative] answers and that is a real hit. They can really be used to start a dialog'.*
>
> *Manager, Business Unit 3*

Regarding implementation, improvements based on customer satisfaction data did not always show in the next measurements of customer satisfaction, thus creating confusion over the effect of improvements. In addition, managers were confused over the relationship between customer satisfaction and financial results.

Identifying what separates high-end and low-end users

Of the 20 managers interviewed about the importance of customer information, 11 were classified as high-end users of the customer satisfaction measurement system and nine were considered low-end users. Managers' use of customer satisfaction measurement systems to different extents is not unique for the case firm (Hanjoon et al., 1987). Table 3 provides a selection of narratives from the in-depth study of managers. The narratives for the low-end users can be interpreted as managers not believing that the customer satisfaction measurement system contains the correct information (stated by eight respondents) and that relating the results from the customer satisfaction measurement system to financial results is not possible.

- insert Table 3 about here -

Table 4 provides a comparison of low-end and high-end users of the customer satisfaction measurement system on firms' collection and use of customer satisfaction data. Table 4 shows that, in the strategy phase, 11 of the high-end users had positive comments on the use of customer information, whereas four of the low-end users made negative comments. Relatively few reported using customer satisfaction data in the decision making process and to identify areas for improvement. Quite a few users reported that they use customer satisfaction data to compare their results with that of other units, whereas they gave a lower priority to benchmarking. Interestingly, the number of low-end users with a positive view of connecting customer satisfaction numbers with financial results was higher than for the group of high-end users. All managers believe that organisational changes are obstacles to attempting to improve customer satisfaction. The case company underwent several reorganisations during the last couple of years; one manager further explained the situation.

> *'If you aim to turn around a trend in an instrument such as the customer barometer you have to work over a time period of 2 to 3 years – after you have a put an organization into place and to be able to see changes. But, at our firm we have never reached that far, instead we have changed the organization which have caused turbulence'.*
>
> *Manager, Business Unit 4*

To use the data from the customer satisfaction measurement system, managers must trust the quality of the data and the analysis. However, finding positive views on the customer satisfaction measurement system was difficult, even from managers who are high-end users. In general, managers distrust the customer satisfaction data and believe that such data do not reflect changes made in business practices. Table 4 shows that the characteristics, measures and relevance of the measurement system are perceived as unclear. Respondents reported that they do not have enough information on the measurement system and do not have a sufficient understanding of how the system works to properly use the results.

- Insert Table 4 about here –

When interviewed about the implementation phase, managers repeated that the customer satisfaction barometer provides an inadequate foundation for priority setting when developing an implementation plan for improvements in business practices. Managers suggested the need to add qualitative market research and open-ended questions to the present customer satisfaction measurement system. When improving the business, managers often use qualitative data to communicate the needed improvements. The key point is that employees are not motivated to change their behaviour based on a satisfaction score in the same way as they would by hearing a consumer's actual voice. The high-end users reported that the results are communicated throughout the organisation and that employees participate. However, the results do not reach all employees in the service firm.

Both low-end and high-end users express doubts over the customer satisfaction measurement system as a sufficient source of information. Although most

low-end users have negative views, quite a few of the high-end users demonstrated positive attitudes regarding the quality of the information. However, both groups stated that more concrete information is needed to identify and prioritise areas of improvement. Of the high-end users, four reported that the customer satisfaction measurement system is used to identify areas of improvement. Sometimes, however, the results of the improvements guided by the customer satisfaction measurement system do not show up as improvements to future customer satisfaction. This situation creates confusion over the true effects of using customer information. On the one hand, according to the logic of customer orientation and models such as the customer equity model (Rust et al., 2004), the service-profit-chain model (Heskett et al., 1994) and common sense make these reported results of the interview seem counterintuitive. The reported results seem to create confusion and frustration within the service firm because the firm does not know how to interpret the findings. On the other hand, these findings may indicate the challenge of when to measure the financial consequences of actions taken to improve customer satisfaction. A time lag exists; the question is: how long is it?

DISCUSSION

This research investigates the concept of customer orientation, its relationship to customer satisfaction and financial results, and how customer satisfaction data are used in service firms. A mixed method research design was applied that combined quantitative and qualitative research. A survey was conducted to identify the different customer orientation phases and how each phase relates to the performance of the service firm. A qualitative approach involving in-depth interviews was carried out to illuminate how organisations use customer satisfaction data as part of being customer oriented.

The research contributes to two bodies of literature: the use of customer satisfaction measurements (Johnson, 1998) and the use of market research (Deshpande and Zaltman, 1984). First, the results suggest that customer orientation, described as the use of customer satisfaction measurements, consists of three phases and not four, as suggested by Johnson (1998) and Morgan et al. (2005). The three phases are (1) strategy, (2) measurement and analysis and (3) implementation. The results show that a customer-oriented strategy positively and significantly affects the measurement and analysis phase, which in turn significantly and positively affects the implementation phase. One interpretation of the result is that having a customer-oriented strategy is a prerequisite for focusing on developing a lens of the customer or an understanding of customers' view of the firm. This strategy is then operationalised through measurement and analysis. Understanding and analysing the customer viewpoint are valid prerequisites for identifying the actions to take when improving service performance.

This study provides evidence that a strong relationship exists between customer orientation and customer satisfaction. This relationship is shown in both the cross-sectional study and the in-depth study of business units in a service firm. Of the customer orientation phases, the implementation phase has the strongest influence on the level of customer satisfaction; strengthening the claim by Rollins et al. (2012) that action-orientation has a greater effect than knowledge-enhancing use

of customer information. However, these results contradict those of Morgan et al. (2005), who suggested that measurement and analysis have the greatest effect on customer satisfaction. That measurement and analysis do not have a direct effect on the level of satisfaction does not indicate that managers should not prioritise this phase. Rather, this result indicates that market researchers need to develop trust by managers in customer satisfaction reports to be able to influence how customer satisfaction data is used to guide action in the implementation phase.

Our qualitative investigation elaborates more on the phases that are most important to the success of the adoption of customer orientation and how customer satisfaction data are used in each phase. The key differences between high-end and low-end users in the results of the customer satisfaction measurement are in how these users use and share customer satisfaction data to identify areas for improvement in the service firm. The use of and sharing of such data is key to ensuring that investments in market research pay off and the information changes from being 'nice-to-have' to 'must-have' for decision making and performance improvements. When turning the information into actions during the implementation phase, customer satisfaction data are communicated throughout the organisation and all employees participate in acting on the data. In a study of auto dealership service garages, Emery and Fredendall (2002) found that the group's work structure influences customer satisfaction. This qualitative study provides additional evidence regarding this relationship. The use of improvement teams to implement changes to areas of improvement aids the organisation's improvement process.

Overall, the consensus among managers is that customer satisfaction data represent an important source of information. However, managers expressed concerns about the validity of the customer satisfaction measurement and some believe that satisfaction scores are not true reflections of the service level of a business unit. Others are concerned with the manner in which the questions are asked or the scale used, or they are simply not informed about the measurement method. This finding is in line with the research by Deshpande and Zaltman (1982) and suggests that managers use market research to a greater extent when the results support their beliefs, and that the technical quality of market research receives more attention when surprising results are presented.

Managerial implications

The findings of this research suggest that managers need better training on how to use customer satisfaction data in decision making and to identify and improve service performance. To increase the likelihood of managers using customer data in decision making, a better understanding is required of how customer satisfaction is actually measured and how these scores relate to other performance measures, such as financial results. Furthermore, resource allocation to all phases is important because failure during one phase will trigger problems in subsequent phases, ultimately affecting customer satisfaction and financial results. Current business practices use resources to measure customer satisfaction whereas only scarce resources are used to put the knowledge gained towards improving the organisation, its processes and its services. These findings show that a service firm should invest in training employees to use customer information in new ways to improve cross-functional customer information sharing and to promote the collection of customer information at different levels of the service firm.

Limitations

As all studies do, this study has limitations. Cross-sectional analysis was included in the research; however, the unit of analysis for obtaining more in-depth knowledge of the phenomena was a single service firm in the telecom industry. Additionally, although a combination of quantitative and qualitative data was used, the data sets were collected at a single point in time as snapshots, which may not provide a complete picture of the causality between customer orientation and customer satisfaction. The most significant concern was the time factor, in other words, the amount of time needed to go from point A to point Z. Consequently, the time lag from one phase to another – the length of time needed before the influences on performance are reflected in satisfaction and financial results – was unknown. Additionally, the study also failed to include moderators such as situational (time, task, context) or individual factors (individual differences, personality, needs). Such factors may affect the relationships between the phases and how they ultimately affect satisfaction and financial results because customer orientation is a process with sequential and distinct, yet interrelated phases. Future studies on customer orientation should apply a longitudinal design to better capture these effects and the timing of their appearance.

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Table 1: Overview of the constructs in the conceptual model

	Cronbach's alpha	**S**	**M&A**	**I**	**CS**	**FR**
Strategy (S)	0.75	0.81				
Measurement and Analysis (M&A)	0.83	0.71	0.81			
Implementation (I)	0.72	0.62	0.74	0.81		
Customer Satisfaction (CS)	n.a.	0.41	0.40	0.43	n.a.	
Financial Results *FR	n.a.	0.16	0.04	0.20	0.46	**n.a.**

Note: CS and FR are modelled as formative constructs.

Table 2: Operationalisation of the conceptual model

From	To	Regression coefficient	Significance level
S	M&A	0.71	*p<0.01*
M&A	I	0.74	*p<0.01*
S	CS	0.21	*p<0.05*
M&A	CS	0.04	Ns
I	CS	0.27	*p<0.05*
CS	FR	0.46	*p<0.01*

Dependent variables	**R^2**
M&A	0.50
I	0.55
CS	0.22
FR	0.21

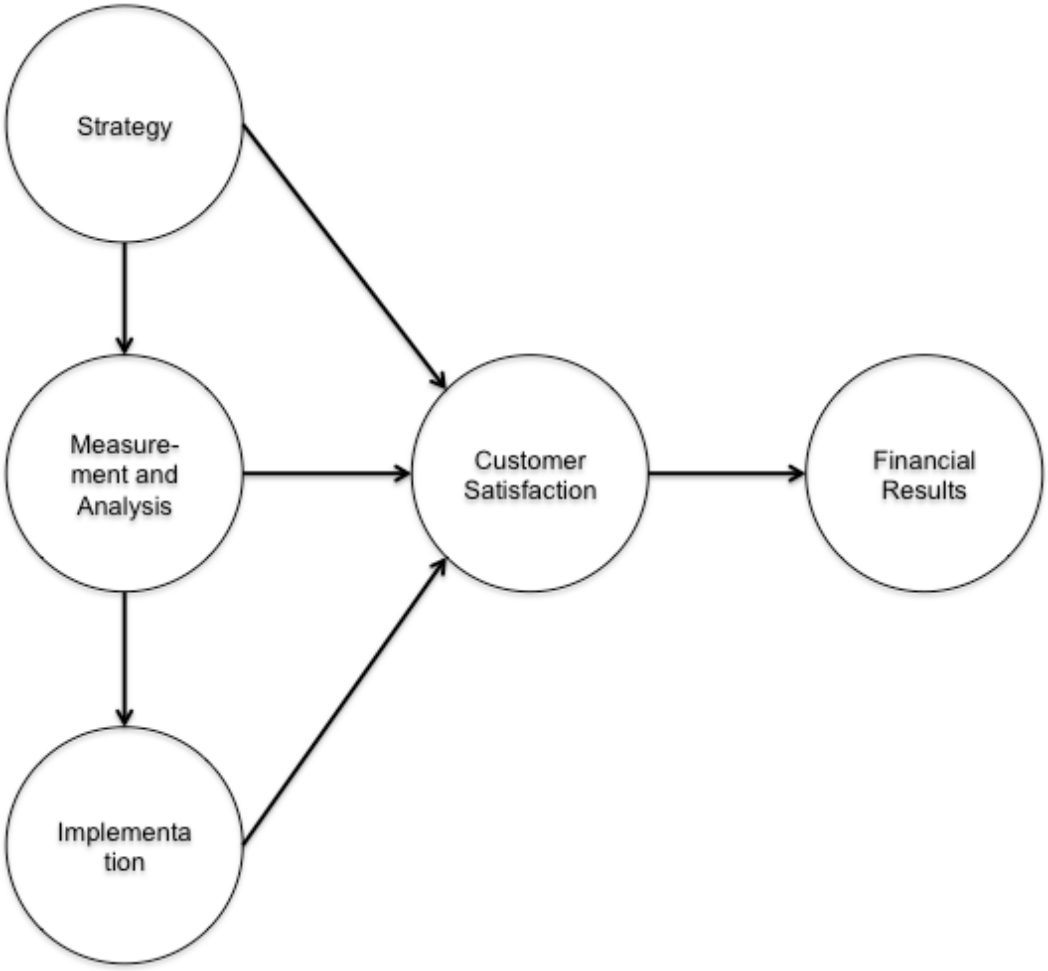
Table 3: Illustration of managers' views of the customer satisfaction measurement system

Phases	Narratives from managers
Strategy	'We might believe one thing about what the customers think, but it is important to know what they really think. Oftentimes, we go around and think one thing, but if you ask customers they say something totally different.'
	'Even if we think that the customer is wrong in his opinion, it is still the customer's experience, if it is negative that is the way it is.'
	'Since we have these business results, I feel that the customers are not completely dissatisfied, even if we receive incredibly low scores [for] our barometer.'
Measurement and analysis	'It would be interesting to know more about how the results are established. If you want to understand more concerning the responses, then you need to know more about how the questions are asked.'
	'What is it really that the customer is dissatisfied with? If we study the answers for a specific factor, it is impossible to know what to do.'
	'If a customer is interviewed and has bought stocks [in our firm] and something is wrong with the phone, at the same time as the price of the stock drops, he is not likely to rate [our firm] high in the barometer.'
	'We feel that our customers are more demanding compared to customers [of] many other units.'
	'The time period is relevant. I mean, every second quarter there are many things happening for us here that influence these numbers then.'
Implementation	However, the way qualitative and quantitative data are used in tandem may represent some challenges that need to be solved.'
	'What a customer might have said could be very negative but the next time the results might be equally low even if no one has stated those words. Hence, I feel that the comments do not provide any more information.'
	'I have the highest economic efficiency in the country, but look at my results in the barometer – it is almost as it could make me cry.'

Table 4: Comparison of low-end and high-end users of customer satisfaction data

	Low-end users			High-end users		
Customer orientation activities	–	0	+	–	0	+
Strategy						
Usage of customer satisfaction data	4	3	0	0	0	11
Customer satisfaction data are part of the decision-making process	2	2	0	2	1	2
Customer satisfaction data are compared with other units	0	0	0	0	0	8
Measurement and analysis						
Ease of understanding the information in the barometer	1	0	2	3	0	1
Right measures for customer satisfaction and loyalty	2	0	0	0	0	3
Find explanations for changes in the barometer	3	0	2	6	1	2
Factors that create customer satisfaction are clearly defined	6	0	0	3	0	0
The importance of trends	0	0	2	0	0	5
The content is correct	5	0	0	1	3	4
More concrete information is demanded	1	0	4	1	1	6
The barometer is used to identify improvement areas	0	0	0	0	0	4
Implementation						
The results are always communicated throughout the organisation	1	0	0	0	0	4
All employees take part in the results	1	0	0	0	0	5
All employees receive a copy of the results	1	0	1	3	0	0

Figure 1: Conceptual model of customer orientation for service firms



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