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- How a Great Customer Experience  
Can Drive Your Prices: A Cross-  
Country Study -

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## Summary

Over the past couple of years, practitioners and marketing researchers have begun to discuss the concept “customer experience”. Pine and Gilmore (1999) state that there has been a shift in the marketing literature and that companies have moved from offering commodities to staging experiences. This master thesis seeks to answer the question *how can companies charge a premium price on their service offer in the experience economy?* The link between premium price and customer experiences has been argued by practitioners to be of importance, but there is still need for empirical research on this topic.

Further, we seek to address the ambiguity in the marketing literature by offering an extended version of Vargo and Lusch’s (2004) classification of schools of thought in the marketing literature. We argue that the recent waves in the marketing literature are characterized by a development from services marketing, to relationship marketing, and that the shift in the literature is evolving towards focusing on customer experiences. We identify that when researchers initially spoke of search, experience and credence goods or services, we now see that all service offerings have these attributes, and that the offers in the economy today can be seen as “product plus”. We believe that customer experiences will become increasingly important in the marketing literature.

Based on a qualitative analysis conducted by Lemke, Wilson et al. (2006) we conducted a quantitative analysis identifying which factors are important to business-to-business customers when evaluating a positive customer experience and whether there is a connection between customer experience and premium price. The main findings include that trust and competence has an effect on customer experience, and that customer experience has an effect on premium price. Further, we identify that flexibility is important for the price charged, and not for the overall customer experience.

The main managerial contribution of this master thesis is related to the fact that customer experiences influence premium price. Hence, it could be valuable to companies to facilitate their customer experiences by focusing on the customer touch points in order to achieve a customer lock-on effect. This could have potential benefits in terms of higher revenues, reduced costs and competitive

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advantage. Further, flexibility also has an effect on the price charged, which gives guidelines as to how a company can increase its value. By investing in a flexible service offer, being adaptive to changes in customer needs and maintaining an overall positive customer experience is in this thesis shown to yield a premium price. Further, since trust has been found to have a positive effect on customer experiences, putting effort in building trust in the customer-company relationship could be beneficial. Limitations and directions for future research will be discussed.

## 1. Introduction

The early marketing literature has been defined from a manufacturing-based point of view (Vargo and Lusch 2004). Physical products was the main offer in the economy, and terms such as the marketing mix and the four P's were introduced (Kotler 1967). Further, the literature from the decades 1980-2000 has focused on the diffusion of services as being the driving force in the economy. Central concepts include service quality, service encounters, and moments of truth amongst others (Wilson 2008). Derived from services marketing is the notion of customer relationship management (Boulding et al. 2005). Relationship quality, customer value and satisfaction as well as customer data and CRM systems were at the heart of the marketing literature (Christopher et al. 2008; Rigby et al. 2004; Selnes and Johnson 2004). We are experiencing a new shift in the literature, from the relational marketing view to a focus on experiences. Pine and Gilmore (1999) introduced the concept "Experience Economy" and argue that we have seen a progression of value: from extracting commodities and making goods, developing into delivering services, the major driver of value in the economy today is staging experiences. The service offerings are becoming increasingly customized and the utilization of experiences as opposed to services has become a major focus for differentiation in the marketplace (Palmer 2010).

Abbott (1955), as cited in Palmer (2010: 197), identified experiences, and stated that:

“[...] What people really desire are not products, but satisfying experiences. Experiences are attained through activities. In order that activities may be carried out, physical objects for the services of human beings are usually needed. Here lies the connecting link between men's inner world and the outer world of economic activity. People want products because they want the experience which they hope the products will render”.

From this statement, we see that experience involves transforming physical products into perceived value. Experience is also in the eyes of the beholder. According to the Accenture Customer Satisfaction Survey (2010: 2),

“Delivering differentiated service experiences is critical to profitable growth because it supports more predictable buying behaviors and longer-term commitment to a company”.

As many as 69 percent of consumers worldwide has reported leaving a service provider as a result of a poor customer experience. The Customer Experience Impact Report has shown that 86 percent of consumers will not return to a company that has delivered a bad customer experience (RightNow 2009). The study also describes how customers are willing to pay for the overall experience with a company; a total of 60 percent will always or often pay more for a better experience. From this, we observe that customers demand a positive customer experience when dealing with service providers.

The concept of experience has long been researched and debated in the literature (Abbott 1955; Dewey 1963; Hirschman and Holbrook 1982; Schmitt 1999; Pine and Gilmore 1999; Holbrook 2006). Little research has tried to add academic value to the theoretical area of the experience economy (Palmer 2010).

Practitioners have identified the area as being important, but there is still need for empirical research rather than managerial literature on the topic.

### ***1.1 Problem Statement***

This thesis seeks to answer the following question: *how can companies charge a premium price on their service offerings in the experience economy?* This relationship has been argued by Pine and Gilmore (1999) to be of particular importance. Since companies tailor their services to customer needs, they are able to charge a premium price for their services. In particular, since quality is relatively uncertain in these situations, the focus will not be on the price/quality relationship, but on which factors determines price when quality is unobservable. Though widely discussed in the literature, the relationship between customer experience and premium price has not yet been empirically investigated.

Addis and Holbrook (2001) state that there are two main argumentations as to why the marketing literature should increase its focus towards the experiential perspective: the concept of mass customization and relationship marketing. Using these concepts as a basis, we will identify the most important drivers of customer experiences. We will focus on the business-to-business relationship, thus using a rational decision-making view on experiences (Frow and Payne 2007).



### *1.1.1 Research questions*

Our research questions are:

1. Determine which key factors that influence the customer experience
2. Determine the link between the customer experience and premium price

### *1.2 Research Setting*

This master thesis will use data from the Norwegian IT-software company QuestBack. The company is one of the world's largest enterprise feedback management companies, and has grown rapidly since they were founded in 2000. Their vision is "creating the winners of the experience economy", and they are now one of the fastest growing IT-companies in Norway. Their headquarter is located in Oslo, but they also have offices located in United Kingdom, the Netherlands and Sweden amongst others. They have over 4000 customers worldwide and had a turnover of approximately 140 million NOK in 2010. QuestBack is one of the market leaders in Norway, and is continuing their growth both at home and abroad.

### *1.3 Contribution and limitations*

This thesis is an attempt to collect the major theories within the field of experience economy, adding academic value by addressing the theoretical ambiguity in the literature. The existing theory is rather fragmented, and the majority of the literature stems from practitioners (Pine and Gilmore 1999; Schmitt 1999; Shaw and Ivens 2005). Building on previously identified literature, this thesis seeks to develop and test a conceptual model of customer experience, identifying the link between customer experience and premium price. The main findings from this thesis are the impact customer experience has on premium price; there is a positive relationship between the two constructs. Further, flexibility has been found to impact premium price, thus investing in delivering a flexible service offer will be beneficial for companies. Trust has a positive effect on customer experience, and promise fulfillment when delivering a service offer is found to be of importance.

Due to time restrictions, we have chosen to only focus on the rational perspective in a business-to-business setting, leaving out emotional consumer experiences.

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Considering the specific industry in which we are conducting our research, the results may not be generalizable. Therefore, future research is required.

Following, we will present the theoretical background in which this thesis is based on. From this literature review, we introduce our proposed conceptual model and the respective hypotheses. We present the operationalization and item generation, our measurement model and our structural model. Implications and limitations will be discussed, and the theoretical and practical contribution of this thesis will be presented.

## **2. Theoretical background**

### ***2.1 The Experience Economy***

The 20th century development in technology has enabled customers to effectively seek information about available service offerings, which has led to price sensitivity and tougher competition (Kotler, Jain et al. 2002). By offering more than just a core product or service, companies can evolve and provide their customers with an additional value through augmented products and services (Kotler and Keller 2006). Pine and Gilmore (1999) introduced the concept “Experience Economy” as a new aspect of business, and argue that experiences as a service offer is highly customized and tailored to customer needs. When receiving this customized service offer, the customers pay a premium price and justify the costs by recognizing that they receive an additional distinct value beyond what they receive from a regular service. The customers’ willingness to pay therefore increases, due to the fact that they now get exactly what they want.

The experience industry, which is the collective term for the companies in this new business area, is up and coming and both researchers and practitioners have requested more investigation conducted within the area of experience marketing (O’Malley and Prothero 2004; O’Loughlin, Szmigin and Turnbull 2004; Sundbo 2009; Palmer 2010). Further, the authors acknowledge that a shift towards managing experiences is about to take place. Companies today are striving to make the customer’s entire experience better, by differentiating every offering to meet their customer’s needs. The increased customization involves an active participation by both the customer and the service provider. Engaging the

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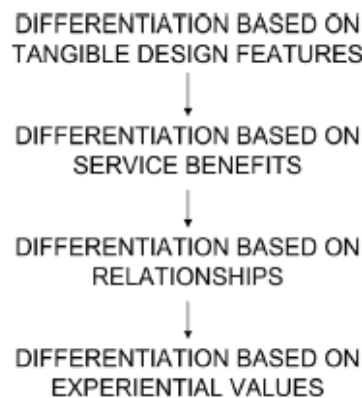
customers and being adherent to the customer's preferences and requests is highly valuable to a company, and makes it increasingly difficult for the customer to discontinue the relationship with the service provider.

Customer experience is portrayed as a mental journey, which is highly subjective and each individual forms their own opinions (Pine and Gilmore 1999; Schmitt 1999; Addis and Holbrook 2001; Frow and Payne 2007; Sundbo 2009). A customer experience means receiving something other than expected, which often results in valuable memories. Sundbo (2009) states that there is a clear link between experiences and memories, since this is actually what the customers are left with after a purchase. Even though experiences can be somewhat indistinct, Pine and Gilmore emphasize (1998: 98) that “an experience [...] is as real an offering as any service, good or commodity”. Berry et al. (2002: front page) argue that “offering products and services is not enough these days: Organizations must provide their customers with satisfactory experiences”. This thesis is an effort to put the academic headlight towards the area of customer experiences and contribute to an increased awareness and introduce new concepts for further thinking.

## ***2.2 Relationship marketing***

Addis and Holbrook (2001) argue that relationship marketing is one important factor increasing the applicability of experiential marketing. Relationship marketing has received increased attention over the past years (Christopher et al. 1991; Cannon and Homburg 2001; Gummesson 2002; Anderson 2004; Vargo and Lusch 2004; Boulding et al. 2005). The company's focus has increased from solely acquiring customers to both acquiring *and* retaining customers (Christopher et al. 1991). Gummesson (2002) argue that new marketing theory should focus on the production aspect of a service offer as well as the social aspect, and that relationships, networks and interaction should be at the center of the marketing research. Focusing on relationships and the customers involves an increased sense of subjectivity: it is the customer's internal response that has become important to service providers. Addis and Holbrook (2001) argue that this is one important reason as to why there should be a development towards the experiential view on marketing.

Companies' marketing strategy has shifted, from using tangible outputs as a differentiator to using service benefit and relationships as a differentiator. Customer lifetime value and customer satisfaction has received increased attention by both researchers and practitioners, and relationship value has become a central term. However, as Palmer (2010) argues, using relationships as a basis of differentiation has developed into a generic marketing strategy. Palmer (2010) claims that experience marketing will be the next base of differentiation for companies, and if a company wishes to succeed, they need to focus on creating positive customer experiences. The shift from using tangible outputs as a basis of differentiation to using experiences is summarized in the following figure.



Source: Palmer (2010). "Customer Experience Management: a critical review"

### **2.3 Mass customization**

Pine (1993: 44) argues that companies have found a new paradigm by "creating *variety and customization through flexibility and quick responsiveness*". This concept is known as mass customization, and is according to Addis and Holbrook (2001) another important aspect of the shift towards an experiential focus in the marketing literature. Da Silveira et al. (2001:1) provide the following definition of mass customization: "Mass customization relates to the ability to provide individually designed products and services to every customer through high process flexibility and integration". This customization requires substantial effort and investment in innovation and technology. When investing in this increased customization, a company is able to charge a premium price (Sundbo 2009). Pine and Gilmore (1999) confirms this by stating that companies create offerings closer to the needs of their customers (customization) in order to increase the value

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provided, and in turn the price charged. As the authors explain; "customers don't want choice; they want exactly what they want" (Pine and Gilmore 1999: 76).

#### ***2.4 The shift from offering commodities to staging experiences***

The model "the Progression of Economic Value" provided by Pine and Gilmore (1999: 72) displays the close relationship between differentiation in the market, which is an important characteristic to any company offering experiences, and the need to meet the customer demand (Pine and Gilmore 1999). They describe the development from offering pure commodities to making goods, delivering services and staging experiences.

This shift can be analyzed through the economics of information and the classification of service offers (Stigler 1961; Nelson 1970; Darby and Karni 1973; Zeithaml 1981). The "Search, Experience, Credence" (SEC) classification scheme is a part of the economics of information. A search offer can be evaluated before purchase (Monroe 2003), whilst experience offers cannot be determined prior to purchase (Nelson 1970; 1974). Credence offers have a quality that cannot be observed by the average consumer, due to the lack of consumer expertise (Darby and Karni 1973). The major premise is that the SEC framework can be placed on a continuum, ranging from easy to evaluate to difficult to evaluate. The claim is that most goods are easy to evaluate, while most services are not (Zeithaml 1981: 186). Due to developments in the market and in the customer demand, this classification does not apply in the same sense (Smith and Bush 2002; Smith 2007). Several researchers argue that there are no "search, experience and credence" goods or services, but that these aspects are related to attributes (Alba, Lynch et al. 1997). The "[...] same product can be a search, experience or credence good, depending on the benefits that are important to the consumers and the inferences consumers make" (Alba, Lynch et al. 1997: 43). Ford, Smith et al. (1988) argue that the notion of intangibility is not related to the product offers, but in the information given from the sellers. Lovelock (1994) states that most physical products are offered as product-plus, that all products have some sort of intangible service offered in addition to the product, or that a service is offered with some sort of tangible product. Thus, a "service product possesses both tangible and intangible attributes" (Mittal 1999: 108). Vargo and Lusch (2004: 2)

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underpins this change in the marketing literature, by stating that there are factors which

“[we believe] points marketing toward a more comprehensive and inclusive dominant logic, one that integrates goods with services and provides a richer foundation for the development of marketing thought and practice”

We believe that there has been a shift in the literature, and that customer experiences as a phenomenon is a natural development. The shift from offering commodities to offering experiences has occurred, and customers value more than the basic commodities in today’s society. The classification of product and service offers has been diffused, and we believe that all product and service offers hold both search, experience and credence attributes. What is important to customers today is not the quality of the particular products or services delivered, but the quality of the overall customer experience.

This development can be portrayed by extending the work of Vargo and Lusch (2004: 3). Introducing the concept “the Service-Dominant Logic for marketing”, the authors argue that there has been a shift from a goods-centered to a service-centered logic in the marketing literature. However, the paradigms discussed such as services marketing, relationship marketing, mass customization and networks have been a part of the marketing literature over the past decades (Bolton et al. 2004). Kotler, Jain et al. (2002) argue that due to the Internet, globalization and competition, the marketing needs to be redefined and broadened. Vargo and Lusch (2008: 4) identify that even though they initially spoke of “service”, they identify that “[we find] the term “experience” closer to our intended meaning than were the words we had originally used”. Therefore, we extend their classification of the different schools of thoughts in marketing, and divide the term “marketing as a social and economic process” into the paradigms of “Service Marketing”, “Customer Relationship Marketing (CRM)” and “Customer Experience”. This is summarized in table 2.1.

<b>Timeline and Stream of Literature</b>	<b>Fundamental Ideas or Propositions</b>
<b>1800-1920:</b> <b>Classical and Neoclassical Economics</b>	Characterized by the beginning of manufacturing goods and standardized commodities. Wealth in society is measured by acquisition of tangible output. <i>Product orientation.</i>
<b>1900-1950: Early/Formative Marketing</b>	Increasingly characterized by tangible outputs and commodities. Major focus on how marketing functions added value to their offerings. <i>Product orientation.</i>
<b>1950-1980:</b> <b>Marketing Management</b>	Characterized by the implementation and optimalization of the marketing mix. Customer needs of importance. The term customer satisfaction is defined and applied. <i>Market orientation.</i>
<b>1980-1990:</b> <b>Service Marketing</b> Zeithaml (1981); Parasuraman, Zeithaml et al. (1985); Bitner (1995); Grönroos (1984); Lovelock (1983)	Characterized by intangibility. The customer is in focus, but there are limits to the customization. Using the economics of information to classify services as difficult to evaluate. Service quality and service encounters are central ideas. <i>Service orientation.</i>
<b>1990-2000:</b> <b>Customer Relationship Marketing (CRM)</b> Christopher et al. (1991); Grönroos (1997); Cannon and Homburg (2001); Gummesson (2002); Rigby et al. (2004); Anderson (2004); Boulding et al. (2005)	Characterized by customer centricity. Companies gather data regarding their customers and customize the offerings on behalf of previous behavior. The terms co-creation of value and co-production (between the provider and customer) is introduced and applied. CRM systems and long-term customer value central terms. <i>Relational orientation.</i>
<b>2000-20xx:</b> <b>Customer Experience</b> Pine and Gilmore (1999); Schmitt (1999); Gupta and Vajic (2000); Shaw (2005); Meyer and Shwager (2007); Palmer (2010)	Characterized by the staging of memorable experiences. Companies listen to their customers and customize the offerings to meet their every need. A focus on customer perception and experience when using a product or service. <i>Experiential orientation.</i>

Table 2.1 – Marketing Paradigms

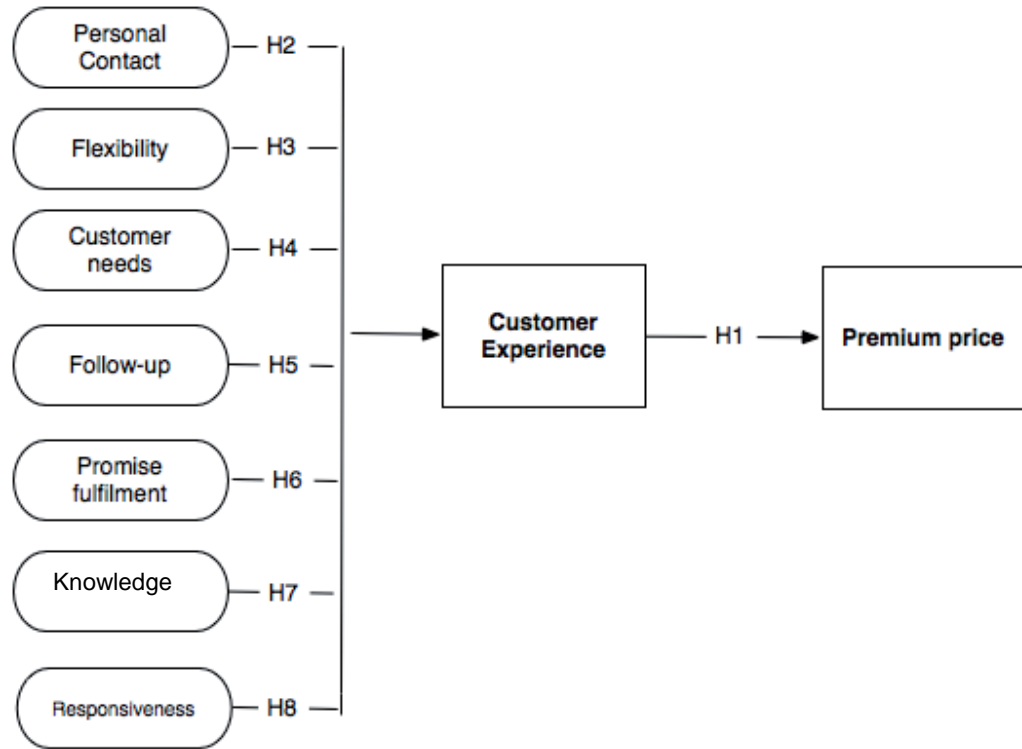
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The first marketing scholars, characterized as classical and neoclassical economics, focused on commodities exchange based on economic theories of market power and manufacturing companies (Vargo and Lusch 2004; Smith 1776; Say 1821; Shaw 1912). Early/formative marketing focused on institutions and using marketing as a functional tool (Vargo and Lusch 2004; Nystrom 1915; Weld 1916; Weld 1917). Utility was a main driver of the literature. From 1950s to the 1980s, the literature had a more management-oriented school of thought, classified as “marketing management”, based on determining the optimal marketing mix for the products (Vargo and Lusch 2004; Levitt 1960; Kotler 1967). From the 1980s and ongoing, the literature for marketing research shifted focus again – from emphasizing tangible outputs and the four P’s to drafting the distinction between “products” and “services” (Grönroos 1984; Parasuraman, Zeithaml and Berry 1985; Zeithaml 1981). Service quality, rather than product quality, is deemed of importance, and researchers focus more on the critical service encounter (Wilson 2008). Further, the focus shifted from focusing solely on services to focusing more on relationships (Christopher et al. 1991; Peppers and Rogers 2004; Boulding et al. 2005). Customer lifetime value and customer portfolio is receiving increased attention by practitioners and researchers, and gathering customer data to be able to customize the service offer is of importance (Rigby et al. 2004; Reinartz et al. 2005). Based on the notion of mass customization and relationship marketing, the focus has shifted towards customer experiences (Pine and Gilmore 1999; Schmitt 1999; Novak et al. 2000; Addis and Holbrook 2001; Palmer 2010). The importance of improving customer experience and identifying the clues the company is sending in every customer touch-point is deemed highly valuable for companies (Berry et al. 2002; Meyer and Schwager 2007).

There are several factors believed to have an effect on customer experience. In a business-to-business setting, there is no general consensus on what determines the best customer experience (Palmer 2010). Lemke, Wilson et al. (2006) have tried to address this gap in the literature by performing a thorough qualitative analysis of the factors influencing customer experience. They identified seven important variables affecting customer experience in the business-to-business environment; flexibility, knowledge, personal contact, understanding of customer needs, follow-up and promise fulfillment.



**3. Proposed Theoretical Model and Hypotheses**



*Figure 3 1 – Proposed model*

Figure 3.1 displays the proposed model on customer experience within a business-to-business setting. Following, we will present a literature review with the respective hypotheses developed, summarized in table 3.1.

Hypotheses	
H1	Customer experience has a positive effect on premium price
H2	Personal contact has a positive effect on customer experience
H3	Flexibility has a positive effect on customer experience
H4A	Understanding of customer needs related to the nature of business has a positive effect on customer experience
H4B	Understanding of customer needs related to the business context has a positive effect on customer experience
H4C	Understanding of customer needs related to their specific requirements has a positive effect on customer experience
H5	Follow-up has a positive effect on customer experience.
H6	Promise fulfillment has a positive effect on customer experience
H7	Knowledge has a positive effect on customer experience.
H8	Responsiveness has a positive effect on customer experience

*Table 3.1 – Summary of hypotheses*

### *3.1 Customer experience*

The concept of customer experience has received a great deal of attention in both academic and managerial literature the previous years. This is founded in the recognition that other traditional differentiators such as price, features, quality and service are losing their effectiveness. Shaw and Ivens (2005) argue that customers will not hesitate to switch to those companies that are able to offer them great customer experiences. Furthermore, they emphasize that the companies acknowledging this at an early stage and are able to create positive experiences for their customers will be the ones reaping the benefits in terms of competitive advantage and the gains from selling their services at a premium price. Michael Porter once stated that “when everything is equal, people buy on price” (Shaw 2005:3). Thus, in order to charge a premium price in the market, a company must differentiate their service offer. Using positive customer experiences as a basis of differentiation could help a company to justify a premium price.

Shaw (2005: 51) provides a definition of customer experience, which embeds the wide range of the construct:

“A customer experience is an interaction between an organization and a customer. It is a blend of an organization`s physical performance, the senses stimulated, and emotions evoked, each intuitively measured against customer experience across all moments of contact.”

This shows that a customer experience is an internal response to an ongoing relationship between a customer and a service provider, and that all customer touch-points are important. This is further accompanied by the statement made by Meyer and Shwager (2007) that ”a customer experience is the internal and subjective response customers have to any direct or indirect contact with a company”. Therefore, a positive customer experience is related to customer value, is highly subjective and develops from a contextual setting (Frow and Payne 2007).

Customer experience is believed to be linked to the concept of customer value and customer needs. These concepts are related to how customer`s value offerings and which needs that drives this value evaluation. This is discussed by Ravald and

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Grönroos (1996: 23) who states that for companies to be able to provide offerings that the customers value, it requires "a thorough understanding of the customers needs". In addition, Homburg, Wieseke and Bornemann (2009: 68) argues that both "customer satisfaction and customer value are characteristics assumed to facilitate the identification of customer needs". Customer value is subject to widely different interpretations by researchers, but the common consensus is that value is evaluated through the use of some product or service subjectively perceived by the customer. Flint, Woodruff and Gardial (1997: 170) provide a definition of customer value:

"Customer value is the customer's perception of what they want to happen (i.e., the consequences) in a specific kind of use situation, with the help of a product or service offering, in order to accomplish a desired purpose or goal".

The value is then formed by evaluating the trade-off between what the customer receives and sacrifices in order to acquire and use the product or service.

Customer needs is formed by individualization in demand. As Du, Jiao and Tscheng (2003) argue; "customer need patterns characterize customer preference and are formulated from the customer perspective". Griffin and Hauser (1993) support this by stating that "a customer need is a description, in the customer's own words, of the benefit to be fulfilled by the product or service". In turn, companies have become more aware of changes in customer needs, and are trying to react quickly to new needs after or even before they have emerged (Flint, Woodruff and Gardial 1997).

The literature describes the delivery of a perfect customer experience as being "what results in customers becoming advocates for the company, creating referral, retention and profitable growth" (Frow and Payne 2007: 92). This concept concerns the creation of an experience tailored to the customers' needs, which is proposed to generate a greater value for the customers. This is based on the notion that customer value is created and delivered over time as the relationship between the company and the customer develops (Grönroos 1997). From this, it is clear that customer value and catering to customer needs is important when facilitating a great customer experience.

### ***3.2 Premium price***

Premium price is identified by Pine and Gilmore (1999) as being possible due to offerings tailored precisely to customer needs. The concept of premium price is commonly characterized as “offerings that are priced above average” (Rao and Bergen 1992: 412) and is often a goal for managers. The Customer Experience Impact Report conducted by RightNow (2009), displays that even in a recess economy, people are willing to pay more for an experience. This supports the statement made by Shaw and Ivens (2005), that a great customer experience is highly revenue generating. By providing a superior customer experience, a company will be able to charge a higher price (Shaw and Ivens 2005; RightNow 2009).

The ”selling of an experience” rather than ”selling a product or service” appeals to the customers in a broader sense. It simplifies the work for the customer, which justifies the slightly higher price to pay. A quote provided by Shaw and Ivens (2002: 40) illustrates the importance of creating a great experience for customers:

”A company with a price advantage can be undercut, a company with a performance advantage can be outflanked, but a company with an emotional difference can potentially demand a price premium forever”.

This thesis explores the concept of premium price and how to achieve it by managing the customer experience. We believe that the customer experience will have a positive effect on customers’ willingness to pay a premium price.

H1: Customer experience has a positive effect on premium price

### ***3.3 Factors influencing customer experience***

Within the business-to-business setting, credence qualities are high and customers are experiencing difficulties in assessing the service quality, even after the service offer has been delivered (Bennett et al. 2005). Murray (1991: 19) found that “experience is a more preferred source of information for consumers in the purchase of services than in the purchase of goods”. Thus, customer experience is likely to be of importance to customers in a business-to-business setting, and is increasing in importance (Bennett et al. 2005). According to Palmer (2010: 204),

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“[by Abbot’s (1955) definition], experience was seen as the consequence of consuming a product, and becomes synonymous with value as perceived by the customer”. There are several factors believed to influence a customer experience. Following, these variables are discussed.

### *3.3.1 Personal contact*

This variable reflects the extent to which the company deals with the customer through personal contact methods. There are two extreme poles; one is personal contact through for instance face-to-face contact, while the other is impersonal contact, which involves more standardized methods of contact, i.e. through a website only. The main argument is that with an increased degree of personal contact, the customer experience will improve (Lemke, Wilson et al. 2006).

Andreasen (1968) separates between different types of personal sources: 1) impersonal advocate, 2) impersonal independent, 3) personal advocate and 4) personal independent. Personal advocate sources are “information received from salespersons, and personal independent sources gathered from friends and relatives” (Mitra, Reiss and Capella 1999: 213). Mitra, Reiss and Capella (1999) found in their research that use of personal and impersonal sources of information is highest for credence services. From this, we see that personal sources of information is relevant when assessing a service high in perceived risk, and is thus of importance for the overall customer experience.

The notion of personal contact in a customer experience is closely linked to customer relationship, which is a cornerstone in customer relationship management (CRM). Ulaga and Eggert (2006) found that in business-to-business markets, relationship benefits are a stronger potential for differentiation in business markets rather than pure cost considerations. Relationship value is found to have a positive influence on trust, commitment and satisfaction between buyer and supplier in a business-to-business relationship (Gil-Saura et al. 2009). Thus, the relationship value will be of importance with relation to risk reduction.

The relationship between the sales representative and the customer is important for a customer experience. From this, we believe that in a business-to-business

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relationship, the degree of personal contact will impact the overall customer experience. We hypothesize the following:

H2: Personal contact has a positive effect on customer experience

### 3.3.2 Flexibility

Flexibility is defined as “the willingness and ability to modify the offering in response to the customer’s specific needs or changing requirements” (Lemke, Wilson et al. 2006: 16). This definition of flexibility involves an exchange process between the company and the customer. Heide and John (1992: 35) defined flexibility as “a bilateral expectation of willingness to make adaptations as circumstances change”, emphasizing the two-way process between the buyer and the company.

Menon, Homburg et al. (2005: 14) uses the term flexibility as “[..] the extent to which the supplier is willing and able to make adaptations to accommodate the customer’s changing needs”. This often takes place as a quick, short-term response to a customer’s changing needs, but it can also be related to flexibility in a modular service offering (Anderson and Narus 1998; Canon and Homburg 2001; Wilson, Weiss et al. 1990). Noordevier, John et al. (1990: 83) describe flexibility as being “contingencies that could not have been predicted beforehand”. Thus, a flexible service offer requires being willing and able to adapt to customer’s requests *after* the initial service offer.

In the recent marketing literature, “co-creation of value” has been widely discussed and applied. Anderson and Narus (1998) conceptualizes the term customer value in business markets as “the worth in monetary terms of the economic, technical, service, and social benefits a customer firm receives in exchange for the price it pays for a market offering”. Thus, co-creation of value in business markets involves an exchange relationship between two firms. This co-creation of value is related to the notion of flexibility in a service delivery, and the fact that the customer is able to request modifications in the service, and that the supplier willingly accommodate these requests. As Selnes and Johnson states

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(2004: 124): “customers benefit from suppliers whose customer knowledge and information systems allow them to deliver highly personalized offerings”.

Lemke, Wilson et al. (2006) identified flexibility as an important part of the customer experience. Pine and Gilmore (1999), however, identify that companies are able to charge a premium price due to tailoring and a flexible service offer. They argue that customization is one of the most important reasons for charging a premium price when delivering an experience offer. There is some disagreement as to which construct flexibility will have an effect on: customer experience or premium price. Since this thesis is based on the qualitative analysis conducted by Lemke, Wilson et al. (2006), we choose to focus on flexibility as being vital for the overall customer experience. Thus, we believe that the co-creation of value through a flexible service offer will have an effect on the overall customer experience. This leads to the following hypothesis:

H3: Flexibility has a positive effect on customer experience

### 3.3.3 Customer needs

According to Kotler and Armstrong (2010), the most basic assumption underlying marketing is those of human needs. These needs are satisfied through the market offerings, and thus it becomes evident that understanding customer needs is important in marketing. The Institute for the Study of Business Markets (ISBM) survey<sup>1</sup> for business-to-business markets, and their upcoming challenges, found that the most important challenge and issue to address for marketers in business-to-business markets is related to customer needs. As mentioned in the survey:

“A key focus for business-to-business researchers and practitioners of the rest of the decade will be bringing new tools, techniques, and approaches for deeper understanding of customer needs—and the opportunities to create new value—to their firms”

Understanding the real customer needs is of increasing importance in business to business markets, as well as creating service offerings that address these needs. Kotler and Armstrong (2004: 12) state that “the marketing concept holds that

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<sup>1</sup> <http://news.smeal.psu.edu/news-release-archives/2008/apr08/isbmtrds.html>

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achieving organizational goals depends on knowing the needs and wants of target markets”. Customer needs are at the heart of the experience economy, and it is important for companies to understand these, specifically related to the nature of their business, the business context as well as the specific requirements of the customer (Lemke, Wilson et al. 2006).

Kolhi and Jaworski (1990) identified that having a customer focus is important in marketing, and that executives have a general belief that it is important to obtain information about customers’ needs and preferences. They also identified that establishing this understanding goes beyond regular customer research. Homburg, Wieseke and Bornemann (2009: 64) introduce the concept customer need knowledge (CNK), defined as “the extent to which a frontline employee can correctly identify a given customer’s hierarchy of needs; that is, CNK is the consistency between a customer’s ranking of his or her shopping related needs and the ranking an employee assumes for this customer” (Homburg, Wieseke and Bornemann 2009: 65). The authors argue that frontline employees need to possess a high degree of CNK in order to implement the marketing concept. Steiner (1955) argued that “the more knowledge an individual has concerning the intentions, preferences and beliefs of other people, the more effectively he can participate in group activities with those people.” However, customer needs are not constant (Selnes and Johnson 2004). Thus, understanding customer needs requires continuous efforts, and the service offer should be tailored to these changes, in order to reap the most benefits.

Lemke, Wilson et al. (2006) identifies three aspects of understanding customer needs to improve customer experience: understanding the customer’s business context, understanding the nature of the customer’s business and understanding the customer’s specific requirements, and addressing to these needs. Nature of business is related to the industry in which the company is operating. The business context is related to the specific company, while the specific requirements are related to the operational needs of the company.

Understanding as well as reaching customer’s objectives is another factor Lemke, Wilson et al. (2006) identified as influencing customer experience. It is the customers’ objectives with purchasing the service that is at the heart of a good



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customer experience. The authors describe this as two poles: either proactively eliciting customer's objectives or no attempt to elicit the respective objectives. However, as the customer's needs and objectives with using the service overlaps, we choose to focus on customer needs, thus hypothesize the following:

H4A: Understanding of customer needs related to the nature of business has a positive effect on customer experience

H4B: Understanding of customer needs related to the business context has a positive effect on customer experience

H4C: Understanding of customer needs related to their specific requirements has a positive effect on customer experience

### *3.3.4 Follow-up*

Lemke, Wilson et al. (2006) identified a factor in their in-depth analysis as "pro-activity in checking that everything is OK". This is related to pro-activity in the quality control of the service offer, and is also related to personal contact. We have redefined this to the concept "follow-up". Lemke, Wilson et al. (2006: 18) identifies this with the following statement:

"A quality manager: "This supplier is no contact at all, and these suppliers have representatives. I mean, the first supplier has a rep. but we don't see him at all. The other suppliers will come in and see us on a fairly regular basis. So we have a regular contact—they come to check that everything is OK. They typically ask whether everything is OK. The first supplier just assumes that everything is OK.""

There is little empirical support that follow-up will lead to a positive customer experience. Follow-up is not a pre-existing construct, but a label we have decided to give this factor. It is, however, linked to customer relationship marketing and relational selling.

Lovelock (1983) argues that exchange in service contexts often involve long-term relationships, which reflects the risks and complexity related to services marketing. This exchange between buyer and supplier is of importance also in the experience economy (Pine and Gilmore 1999). Vargo and Lusch (2004: 12) argue that "[...] in a service-centered model, humans both are at the center and are

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active participants in the exchange process. What precedes and what follows the transaction as the firm engages in a relationship [...] is more important than the transaction itself". Therefore, follow-up is an important part of a customer-company relationship.

Relational selling behavior "refers to the extent to which relational partners have the orientation and behavior to actively cultivate and maintain a close relationship" (Shi et al. 2009; Crosby et al. 1990; De Wulf et al. 2001). Crosby et al. (1990: 71) argue that in a relationship, where the supplier often solves complex problems, "reluctance to reveal critical personal and/or business-related information may block or severely delay satisfactory problem resolution". Further, they argue that efforts to "stay in touch" with the customer is a key determinant in many relationships and should be considered important.

Tuli, Kohli et al. (2007) identified that when dealing with solutions, "a customized and integrated combination of goods and services for meeting a customer's business needs" (Tuli, Kohli et al. 2007: 1), post-deployment support and follow-up is critical, and that customers view solutions as a more relational process rather than a transaction process. The idea is that due to the need for long-term relationships and to create a positive customer experience, the supplier firm needs to be proactive in terms of follow-up after the service delivery. We believe that this activity will have an effect on the relationship between buyer and supplier as well as the customer experience. This is hypothesized as follows:

H5: Follow-up has a positive effect on customer experience.

### *3.3.5 Promise fulfillment*

The extent to which a company is able to fulfill the promises they have made to their customers has been identified as an important factor influencing customer experience (Lemke, Wilson et al. 2006). Grönroos (1984) argues that traditional marketing activities are about delivering promises to the customer, and that the perceived service quality of the customer is related to whether or not these expectations are fulfilled. The notion of promise fulfillment is closely related to the service gap 4 in the GAP model of service quality (Parasuraman, Zeithaml et

al. 1985). This gap is identified as the difference between the service delivered and the external communication of the service delivered, being the difference between expected and perceived service quality. It is of importance to reduce this gap by keeping the promises made in external communication (Grönroos 1984).

Parasuraman, Berry et al. (1991: 350) found that

“The importance of *horizontal communication* in closing Gap 4 implies that effective internal communication and coordination among all parties that contact and/or serve customers is a prerequisite for ensuring consistency between what is communicated about the service to customers and the service actually delivered”.

From this, we see that it is important to ensure that the service delivery is in line with what is actually promised externally.

Promise fulfillment is closely related to trust in a buyer-supplier relationship. With the rise of relationship marketing, business marketers have put increased emphasis on long-term relationship and trust is becoming increasingly important (Anderson, Narus et al. 2009; Doney, Barry et al. 2007; Doney and Cannon 1997; Morgan and Hunt 1994). Doney and Cannon (1997) found that trust in the supplier firm and the salesperson influence a buyers' anticipated future interaction with the firm. Menon, Homburg and Beutin (2005: 24) found that “trust (.i.e. the customer trusting the supplier) influences core benefits that business customers consider necessary in business relationships”. Further, they found that trust is more important for core benefits than the product characteristics. Doney, Barry et al. (2007) found that trust building behavior and service outcomes have an impact on trust formation, which, in turn, has an influence on relational outcomes.

Morgan and Hunt (1994: 23) conceptualize trust as “existing when one party has confidence in an exchange partner's reliability and integrity”. Marketing research on trust focuses on two targets: trust in a company and in a company's salesforce (Doney and Cannon 1997). Trust in a company and its salesforce involves trusting that the company keeps its promises. Keeping (or failing to keep) promises is believed to have a positive (negative) effect on the overall customer experience. This is summarized in H6:

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H6: Promise fulfillment has a positive effect on customer experience.

### 3.3.6 Knowledge

Knowledge is the final factor identified by Lemke, Wilson et al. (2006), and is seen to be important in business-to-business relationship in order to create a positive customer experience. This knowledge is closely related to value, and is defined as “the extent to which a company possesses the knowledge/expertise to add value to the customer” (Lemke, Wilson et al. 2006: 17).

According to Selnes and Johnson (2004: 119), the objective of a supplier is to identify the “relationships that have the highest profit potentials given the available resources and then develop sufficiently attractive offers (relative to competition) to create transactions”. This involves aligning the company’s resources and capabilities to best serve the customer’s needs. Knowledge is, according to Vargo and Lusch (2004:2) an operant resource, which is defined as “resources on which an operation or act is performed to produce an effect”. Thus, using the firm’s knowledge to create a positive customer experience is in line with the view of knowledge as being an operant resource. Vargo and Lusch (2004:9) identified the importance of human skills, its competencies and the work experience of employees. They argue that it is the application of specialized skills and knowledge that is the basic unit of exchange in the evolved marketing concept, and that “knowledge is the fundamental source of competitive advantage”. As such, knowledge is an important part in the exchange of goods between a buyer and a supplier. Solomon, Surprenant et al. (1985: 9) found that it is not only attitude and behavior of the employee that determined the quality of the service, but also the skills of the employees that will “affect what clients evaluate as a satisfactory service encounter”.

Ballantyne and Varey (2006) distinguish between two types of knowledge, as identified Nonaka and Takeuchi (1995): tacit and explicit knowledge. Tacit knowledge is “employee know-how or competencies gained through observation, imitation and mutual experience”, whilst explicit knowledge is media-based, and “can be digitalized, duplicated and circulated” (Ballantyne and Vary 2006: 340). From Lemke, Wilson et al.’s (2006) definition of knowledge, we believe that it is

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the firm's tacit knowledge that will have the highest impact on customer experience. We hypothesize this as follows:

H7: Knowledge has a positive effect on customer experience.

### *3.3.7 Responsiveness*

Although responsiveness is not a factor identified by Lemke, Wilson et al. (2006), we decided to enter this factor due to its link to flexibility and promise fulfilment. Responsiveness construct refers to “how timely and effectively the manufacturer dealt with retailer problems and overlaps with [...] complaints and to act upon those complaints” (Verbeke et al. 2006: 506). Responsiveness can be a crucial element in an organization's customer service. It may be highly related to the experience that the customer is left with after contact and if the outcome is negative it could damage the company's reputation (Tax, Brown and Chandrashekar 1998).

Taylor (1994) explains that customers who are subjected to delays in service offerings, will tend to be negative in their service evaluations. In turn, service evaluation is closely linked to customer experience in the way that customer's generate their own evaluations of a service offering which is a part of the formation of an experience (Wilson et al. 2008). Based on the results of the research conducted by Tax, Brown and Chandrashekar (1998) more than half of the approximately 250 respondents asked stated that they were dissatisfied with their complaint-handling experiences. The authors emphasize that “providing fair outcomes requires that firms understand the full costs incurred by customers as a result of both the service failure and the complaint process” (Tax, Brown and Chandrashekar 1998: 73). We therefore put emphasis on responsiveness as a variable effecting customer experience due to its implications and major consequences if negative and not handled correctly. The construct of responsiveness is therefore added to the model in testing due to its centrality of the formation of a customer experience. This is hypothesized as follows:

H8: Responsiveness has a positive effect on customer experience.

## 4. Operationalization

Since this thesis is based on a qualitative research conducted by Lemke, Wilson et al. (2006), we will focus on a quantitative research methodology in this thesis.

The specification of the items used in the survey has followed a deductive approach, conducting a literature review to identify previously developed measurement scales. Following, we present the domain specification and the generation of items for our quantitative survey, summarized in table 4.1.

### 4.1 Measures

#### 4.1.1 Domain specification and generation of items

In order to measure the concept of premium price, we have made use of “acquisition value”. This is defined by Grewal, Monroe and Krishnan (1998: 48) as

“the perceived net gains associated with the products or services acquired. It is positively influenced by the benefits buyers believe they are getting by acquiring/using and negatively influenced by the money given up to acquire the product (i.e: selling price).”

By adapting how we measure acquisition value and relating it to measure premium price, we will end up with a measurement for “value for money”.

The concept of customer experience is wide and divided into several subordinate variables. When measuring the overall customer experience, we make use of a concept called “valence”, which “captures attributes that control whether customers believe the service outcome is good or bad, regardless of their evaluation of any other aspect of the experience” (Brady and Cronin Jr. 2001:40). By adapting the concept of valence we are able to measure the overall customer experience.

To measure what Lemke, Wilson et al. (2006) defined as “personal contact”, we have adapted Nielson’s (1998) measure of “closeness”. The construct closeness is a characteristic of a relationship, characterized by person-to-person contact. As stated (Nielson 1998: 443):

“Successful relationships are viewed as involving extensive person-to-person contact by numerous functional participants from each firm that results in close personal and working relationships. These characteristics, then, represent what is referred to as “intimacy” or “closeness” in this study.”

Thus, the items measuring closeness is believed to be related to our construct “personal contact”.

To measure the construct “flexibility”, we have used the definition and scale items by Menon, Homburg and Beutin (2005). Flexibility is defined as “the extent to which the supplier is willing and able to make adaptations to accommodate the customer’s changing needs” (Menon, Homburg and Beutin 2005: 14).

Further, to generate items for “understanding customer needs” we conducted an extensive literature review, and found understanding of customer needs to be related to the behavior of the company. Mohr and Bitner (1995) used the term “perceived effort” as a measure for understanding needs and delivering value. Brady and Cronin Jr. (2001) found that behavior is a sub-dimension of interaction quality and is thus important when understanding customer needs. Thus, we have adapted Brady and Cronin Jr. measures for behavior in a service delivery situation. Further, we have adapted it to the three dimensions identified by Lemke, Wilson et al. (2006): nature of business, business context as well as specific requirements. See the questionnaire in appendix 1 for further details.

The concept of “follow-up” or “pro-activity in checking that everything is OK” by the company is related to relational selling, and we have adapted a set of items from Crosby, Evans and Cowles (1990). Interaction intensity in relational selling is defined as “the frequency with which the salesperson communicates (face-to-face or indirectly) with the customer either for personal or business purposes” (Crosby, Evans and Cowles 1990: 71). From this, 7 statements have been adapted.

Promise fulfillment and trust are interrelated constructs. We have chosen to adapt measures for the concept trust, as it will capture more of our hypothesized relationships in our model. Trust is defined as “the perceived credibility and benevolence of the supplier as viewed by the customer” (Menon, Homburg and

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Beutin 2005: 11; Doney and Cannon 1997: 36; Doney et al. 2007). Thus, we have adapted five sets of items from Doney et al. (2007) and one item from Menon, Homburg and Beutin (2005), since their definition of the concept is the same.

Knowledge defined by Lemke, Wilson et al. (2006: 17) is “the extent to which a company possesses the knowledge/expertise to add value to the customer”.

Knowledge of the company is the main area of the construct. Since our area of focus is the customer’s perception of the company, we have adapted a set of items generated by Selnes (1998) to measure the construct “knowledge”. From this, competence was defined as “ the buyer’s perception of the supplier’s technological and commercial competence” (Selnes 1998: 313).

Responsiveness is defined as “how timely and effectively the manufacturer dealt with retailer problems and overlaps with what has come also to be called willingness to listen to retailers’ complaints and to act upon those complaints” (Verbeke et al. 2006). The items generated are summarized in table 4.1.



Construct	Items	Source
<u>Acquisition value</u>	<ul style="list-style-type: none"> <li>• If I bought service x at (selling price), I feel I would be getting my money’s worth. I feel like I am receiving a good experience /service /quality /software (in service offering x) for a reasonable price</li> <li>• I think that given this ”service x” features, it is good value for the money</li> <li>• Compared to the maximum price I would be willing to pay for this service x, the sale price conveys good value</li> </ul>	Grewal, Monroe and Krishnan (1998)
<u>Valence</u>	<ul style="list-style-type: none"> <li>• These questions refer to whether you think the outcome of your experience was good or bad:</li> <li>• When I leave x, I usually feel that I had a good experience</li> <li>• I believe x tries to give me a good experience</li> <li>• I believe x knows the type of experience its customers want</li> </ul>	Brady and Cronin Jr. (2001)
<u>Closeness</u>	<ul style="list-style-type: none"> <li>• Personnel from our firm have become accustomed to working with this customer</li> <li>• We have an extensive relationship with this customer</li> <li>• Others in my organization have spent a lot of time working with this customer</li> <li>• Our plant and/or distribution people have developed close working relationships with the customer</li> </ul>	Nielson (1998)
<u>Flexibility</u>	<ul style="list-style-type: none"> <li>• This supplier is flexible enough to handle unforeseen problems</li> <li>• This supplier handles changes well</li> <li>• This supplier can readily adjust its inventories to meet changes in our needs</li> <li>• This supplier is flexible in response to requests we make</li> </ul>	Menon, Homburg and Beutin (2005)
<u>Behavior</u>	<ul style="list-style-type: none"> <li>• I can count on XYZ’s employees taking actions to address my needs</li> <li>• XYZ’s employees respond quickly to my needs</li> <li>• The behavior of XYZ’s employees indicates to me that they understand my needs</li> </ul>	Brady and Cronin (2001)
<u>Interaction Intensity</u>	<ul style="list-style-type: none"> <li>• Was contacted by my agent who wanted to stay “in touch” and make sure I was still satisfied.</li> <li>• Was contacted by my agent who wanted to keep abreast of changes in my family and insurance needs</li> <li>• Was contacted by my agent who wanted to restructure my insurance program to better service my needs</li> </ul>	Crosby, Evans and Coles (1990)

	<ul style="list-style-type: none"> <li>• My agent explained why it is a good idea to keep this whole life policy in force</li> <li>• Received something of personal nature from my agent</li> <li>• Was contacted by my agent who wanted to sell me more life insurance</li> <li>• Was contacted by my agent who wanted to describe new types of policies that had become available</li> </ul>	
<u>Trust</u>	<ul style="list-style-type: none"> <li>• This supplier is not always honest with us</li> <li>• We believe in the information this supplier provides us</li> <li>• This supplier is genuinely concerned about our business success</li> <li>• When making important decisions, this supplier considers our welfare as well as its own</li> <li>• We trust this supplier keeps our best interests in mind</li> <li>• This supplier keeps promises it makes to our company</li> </ul>	<p>Doney and Abratt (2007)</p> <p>Menon, Homburg and Beutin (2005)</p>
<u>Competence</u>	<ul style="list-style-type: none"> <li>• The supplier has knowledge about the market and market trends.</li> <li>• The supplier provides me with advice about how to operate my business.</li> <li>• The supplier helps me to plan sales promotion activities.</li> <li>• The supplier contributes with sales promotion activities.</li> </ul>	Selnes (1998)
<u>Responsive-ness</u>	<ul style="list-style-type: none"> <li>• Responsiveness (1 totally disagree/7 totally agree).</li> <li>• It is our belief that the service people of firm x. . .</li> <li>• . take our complaints seriously;</li> <li>• . respond politely to our complaints;</li> <li>• . are sincerely interested in our problems;</li> <li>• . undertake accurate actions to solve our problems;</li> <li>• . undertake actions to solve our problems in time; and</li> <li>• . respond quickly to our complaints.</li> </ul>	Verbeke, Baggozi, Farris (2006)

*Table 4.1 – Item Specification*

### ***4.2 Questionnaire***

The questionnaire consists of 48 items adapted from previous research and 13 background questions. We have used a scale of 1 to 7 in order to ensure maximum variance. A multi-item scale is generated for every question in order to ensure reliability and validity (Pedhazur and Schmelkin 1991).

## **5. Analysis**

### ***5.1 Data Collection Process:***

The initial data collection process involved sending out an online questionnaire, using the QuestBack software, 29.04.2011. A test quest was sent out by e-mail to 50 randomly chosen respondents in order to evaluate their ability to answer our survey as well as the quality of the questionnaire. This enabled us to modify the questionnaire based on the feedback from this test, and we included a “Don’t know”-category in the remaining questionnaires. We then sent out the slightly modified questionnaire the 04.05.2011 and a follow up reminder was sent out the week after. The questionnaire was sent to a total of 550 e-mail addresses (50 were used for the test-quest) all of which were customers of QuestBack working in small and medium sized businesses in Europe. We received in total 154 responses, where 110 were from Norwegian customers and 44 were from European customers, leaving the respondent rate to be 28 percent. The customers are diverse and from Belgium, Denmark, England, Finland, Italy, Netherlands, Norway and Sweden amongst others.

### ***5.2 Descriptive statistics: Sample Characteristics***

The industries in which our respondents originate from are widely distributed between several different work fields. Two fields are more frequently represented than others; “public services” (19%) and “education and research” (13%). However, these two groups are not dominating and we can therefore argue that we may be able to generalize the results from this research study to apply to a wider population. In addition, almost 30 percent of the companies represented are global companies, which make this research even wider in its applicability.

Approximately 70 percent of the companies were founded before the 1990s. Seen in combination with most of the companies being customers from 3-10 years (approximately 80%), this implies that the respondents are capable of answering our questionnaire satisfactory. We are therefore confident that our respondents are qualified and able to provide us with data that will be used for the analyses in our research project.

The respondents stem from a range of small- (50 employees, 17%) to medium-sized (200-500 employees, 17%) companies, but a larger group have more than 1000 employees (32%). Amongst the 154 respondents, 40 percent use the service on a monthly basis. Furthermore, our results display that there were only 43 percent that have an influence in the process of purchasing the service and 24 percent that have the position as the final decision-maker.

Our sample size is 154, which is smaller than what is recommended for a sample size (Clark and Hart 1999). Having a sample of 200 is ideal in order to have sufficient power in the models and analysis. Having a smaller sample size than recommended could become a potential issue, in the form of type II errors as well as model misfit (Clark and Hart 1999; Kaplan 2009). Even though our sample size is smaller than the ideal sample size, we will conduct our analyses.

### ***5.3 Descriptive statistics: Input in SPSS and Lisrel, data screening***

We conducted a simple data screening, analyzing the data set for extreme values, outliers, missing values and non-normality. We found that it was not necessary to delete any of our replies, as all of them included sufficient responses to conduct the analyses. We included a “Don’t know”-category in our questionnaire as a response to requests from our test group who were unsure on several questions, which resulted in responses with several “Don’t know” answers. In order to conduct our analyses, we replaced the “Don’t know”- answers with missing values. We reversed one scale item measuring trust. Further, in order to adjust for the low sample size as well as missing values, we used regression imputation in SPSS. We use Lisrel to assess the measurement model and the structural model, and when assessing the fit of these models. Table 5.1 summarizes the percentage of missing values in the data set.

	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
Closeness: Personnel from our company have become accustomed to working with QuestBack	139	90,3%	15	9,7%	154	100,0%
Closeness: We have an extensive relationship with QuestBack	146	94,8%	8	5,2%	154	100,0%
Closeness: Others in our company have spent a lot of time working with QuestBack	143	92,9%	11	7,1%	154	100,0%
Closeness: Our company has developed close working relationships with QuestBack	142	92,2%	12	7,8%	154	100,0%
Flexibility: QuestBack is flexible enough to handle unforeseen problems	122	79,2%	32	20,8%	154	100,0%
Flexibility: QuestBack handles changes well	120	77,9%	34	22,1%	154	100,0%
Flexibility: QuestBack can readily adjust its templates to meet changes in our needs	100	64,9%	54	35,1%	154	100,0%
Flexibility: QuestBack is flexible in response to requests we make	110	71,4%	44	28,6%	154	100,0%
Nature of busin: We can count on QuestBack taking actions to address the needs related to our business nature	124	80,5%	30	19,5%	154	100,0%
Nature of busin: QuestBack responds quickly to the needs related to our business nature	118	76,6%	36	23,4%	154	100,0%
Nature of busin: The behavior of QuestBack indicates that they understands the needs related to our business nature	120	77,9%	34	22,1%	154	100,0%
Business contex: We can count on QuestBack taking actions to address our context related needs	112	72,7%	42	27,3%	154	100,0%
Business contex: QuestBack responds quickly to our context related needs	110	71,4%	44	28,6%	154	100,0%
Business contex: The behavior of QuestBack indicates that they understands our context related needs	110	71,4%	44	28,6%	154	100,0%
Specific requir: We can count on QuestBack taking actions to address our specific requirement needs	115	74,7%	39	25,3%	154	100,0%
Specific requir: QuestBack responds quickly to our specific requirement needs	116	75,3%	38	24,7%	154	100,0%
Specific requir: The behavior of QuestBack indicates that they understands our specific requirement needs	115	74,7%	39	25,3%	154	100,0%
Trust: We believe the information QuestBack provides us	146	94,8%	8	5,2%	154	100,0%
Trust: QuestBack is genuinely concerned about our business success	117	76,0%	37	24,0%	154	100,0%
Trust: When making important decisions, QuestBack considers our welfare as well as its own	89	57,8%	65	42,2%	154	100,0%
Trust: We trust QuestBack to keep our best interests in mind	129	83,8%	25	16,2%	154	100,0%
Trust: QuestBack keeps its promises it makes to our company	123	79,9%	31	20,1%	154	100,0%
Trust: QuestBack is not always honest with us	109	70,8%	45	29,2%	154	100,0%

Competence: QuestBack has knowledge about the market and market trends.	104	67,5%	50	32,5%	154	100,0%
Competence: QuestBack provides us with advice about how to operate our business.	119	77,3%	35	22,7%	154	100,0%
Competence: QuestBack helps us to plan our surveys	134	87,0%	20	13,0%	154	100,0%
Competence: QuestBack contributes with templates and features for our surveys	137	89,0%	17	11,0%	154	100,0%
It is our belie: ...takes our requests seriously	142	92,2%	12	7,8%	154	100,0%
It is our belie: ...responds politely to our requests	144	93,5%	10	6,5%	154	100,0%
It is our belie: ...is sincerely interested in our problems	131	85,1%	23	14,9%	154	100,0%
It is our belie: ...undertakes accurate actions to solve our problems	112	72,7%	42	27,3%	154	100,0%
It is our belie: ...undertakes actions to solve our problems in time	130	84,4%	24	15,6%	154	100,0%
It is our belie: ...responds quickly to our requests	142	92,2%	12	7,8%	154	100,0%
How many times : ...been contacted by QuestBack who wanted to stay "in touch" and make sure your company was still satisfied.	145	94,2%	9	5,8%	154	100,0%
How many times : ...been contacted by QuestBack who wanted to keep abreast of changes in your business and your company's needs	143	92,9%	11	7,1%	154	100,0%
How many times : ...been contacted by QuestBack who wanted to restructure your company's account to better service your company's needs	142	92,2%	12	7,8%	154	100,0%
How many times : ...been contacted by QuestBack who explained why it is a good idea to keep this subscription	141	91,6%	13	8,4%	154	100,0%
How many times : ...received something of personal nature from QuestBack (e.g. Birthday card, Holiday gift)	142	92,2%	12	7,8%	154	100,0%
How many times : ...been contacted by QuestBack who wanted to sell you more services	142	92,2%	12	7,8%	154	100,0%
How many times : ...been contacted by QuestBack who wanted to describe new types of changes that had become available	144	93,5%	10	6,5%	154	100,0%
Customer Experi: When my company has had contact with QuestBack, we usually feel that we have had a good experience	150	97,4%	4	2,6%	154	100,0%
Customer Experi: We believe QuestBack tries to give us a good experience	150	97,4%	4	2,6%	154	100,0%
Customer Experi: We believe QuestBack knows the type of experience their customers want	149	96,8%	5	3,2%	154	100,0%
Value for money: QuestBack is a high quality offering and it is reasonable to pay a premium price	119	77,3%	35	22,7%	154	100,0%
Value for money: We feel like we are receiving a good software in QuestBack, and it will give us value for the money	134	87,0%	20	13,0%	154	100,0%

Value for money: We think that given QuestBack features, it is good value for the money	128	83,1%	26	16,9%	154	100,0%
Value for money: Compared to the maximum price we would be willing to pay for QuestBack, the sale price conveys good value	102	66,2%	52	33,8%	154	100,0%
Value for money: If we bought QuestBack at selling price, we feel we would be getting my money’s worth.	96	62,3%	58	37,7%	154	100,0%

Table 5.1 – Percentage of missing values

We observe from table 5.1 that “Value for money” has a higher percentage of missing values than the other items. This could be related to the demographics of the respondents – since only 43 percent of the respondents are responsible for the purchase of the service.

**5.4 Descriptive statistics: Assessing normality**

In order to assess the model, we need to test for multivariate normality to ensure that the variables are consistent, unbiased, with minimum variance and high efficiency (Gujarati 2003). Testing for multivariate normality is necessary to avoid errors with our estimates. Thus, we need to check the data set for skewness and kurtosis, which will reveal if values are symmetric in distribution and how the tallness or flatness of the sample is distributed. Skewness, representing the distribution symmetry, is present if the values fall outside the range of -1 to +1. We say we have kurtosis if the critical value of the data exceeds ±1,96 (error level of 0,05). We will discuss only the variable(s) identified as having issues with skewness and kurtosis.

Descriptive Statistics									
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Premiumprice	154	1.00	7.00	4.4032	1.08667	-.414	.195	1.163	.389
Closeness	154	1.00	7.00	3.5591	1.23717	.469	.195	-.010	.389
Flexibility	154	1.00	7.00	4.3467	1.09150	-.436	.195	.767	.389
natureofbusiness	154	1.00	7.00	4.5951	1.22190	-.362	.195	.436	.389
businesscontext	154	1.00	7.00	4.4196	1.27100	-.596	.195	.671	.389
requirements	154	1.00	7.00	4.3630	1.28407	-.600	.195	.169	.389
Trust	154	1.83	6.67	4.5469	.82535	-.563	.195	.808	.389
Competence	154	1.25	6.75	4.2465	1.14606	-.492	.195	.084	.389
Responsiveness	154	1.00	7.00	5.3605	1.12667	-1.167	.195	1.914	.389
CE	154	.00	7.00	4.8247	1.47070	-.881	.195	1.016	.389
Valid N (listwise)	154								

Table 5.2 – Normality Indices

From table 5.2, we observe that responsiveness has a skewness-value of -1.167 and a kurtosis value of 1.914. These values are close to a breach of our normality assumptions, but we do not consider this breach to be severe. Therefore, we believe that this will not be a source of errors in our analysis.

### ***5.5 The Measurement model***

We conducted a confirmatory factor analysis, in order to assess the fit of our measurement model (appendix 2). We will discuss some important fit measures, as well as the individual factor loadings of the measurement model, and their respective t-values. Further, we discuss the item validity and reliability.

#### *5.5.1 Fit measures*

The most relevant fit indices when assessing a measurement model is the chi-square, degrees of freedom, RMSEA and the comparative fit index (CFI) (Hair et al. 2010). We will discuss these indices in turn.

The chi-square of the model is 2024.86, and the degrees of freedom are 1025. We use the chi-square test in order to test for exact fit. From a chi-square test, there is a significant difference between our proposed model and observed data, which indicates that the model is not an exact fit (Kaplan 2009). However, in our model, we are not looking for an exact fit, since this is relatively difficult with a “real” dataset (Kaplan 2009). Thus, we look at the RMSEA of the measurement model, which is 0.080. According to Browne and Cudeck (1993) this is an indication of a fair fit, and thus, our model is plausible and has a sufficient fit for our purposes. This is further supported by the comparative fit index, which should be above 0.9 (Hair et al. 2010).

Fit measures	
Chi square	2024.86
Degrees of freedom	1025
p-value	0.000
RMSEA	0.080
CFI	0.97

*Table 5.3 – Fit Measures CFA*



5.5.2 Standardized Factor Loadings

Table 5.4 displays the standardized factor loadings of the confirmatory factor analysis. As we can see from the results, the standardized factor loadings are generally high. It is generally desirable to have a factor loading of 0.7 and higher, but it is acceptable with a standardized factor loading of 0.5 (Hair et al. 2010). In our case, there are few standard factors lower than 0.7. Variable X1, X3, X24, X36, X37 and X40 are in the range between 0.5 and 0.7, thus we accept these as an acceptable measure. X25 and X39 are sufficiently close. One item measuring trust, X23, has a standardized factor loading of -0.22. This item is the reversed item, and we expected it to be discarded from the analysis. Looking at the t-values for the items, we observed that X38 (measuring the construct interaction intensity) is not significant (with a  $t_0$  of 1.96). Since we have a sufficient number of items measuring both trust and interaction intensity, we will delete item X23 measuring trust as well as item X38 measuring interaction intensity when conducting the structural model.

	Closeness		Flexibility		Needs_NB		Needs_BC		Needs_SR		Trust	
	Factor	t-value	Factor	t-value	Factor	t-value	Factor	t-value	Factor	t-value	Factor	t-value
X1	0.64	8.35										
X2	0.83	11.76										
X3	0.61	7.77										
X4	0.84	11.87										
X5			0.75	10.65								
X6			0.88	13.39								
X7			0.74	10.46								
X8			0.78	11.23								
X9					0.88	13.61						
X10					0.91	14.52						
X11					0.90	14.29						
X12							0.94	15.42				
X13							0.96	16.09				
X14							0.92	15.03				
X15									0.91	14.47		
X16									0.95	15.73		
X17									0.94	15.46		
X18										0.73	10.33	
X19										0.78	11.25	
X20										0.78	11.39	
X21										0.83	12.37	
X22										0.70	9.8	
X23										-0.22	-2.72	
X24	0.56	7.16										
X25	0.49	6.14										
X26	0.86	12.53										
X27	0.82	11.72										
X28			0.85	13.05								
X29			0.78	11.36								
X30			0.86	13.11								
X31			0.83	12.53								
X32			0.85	12.89								
X33			0.81	12.01								
X34							0.72	9.39				
X35							0.78	10.30				
X36							0.62	7.79				
X37							0.50	6.04				
X38							0.17	1.86				
X39							0.42	4.97				
X40							0.55	6.71				
X41									0.96	15.59		
X42									0.80	11.61		
X43									0.83	12.42		
X44											0.63	8.45
X45											0.87	13.33
X46											0.87	13.26
X47											0.83	12.51
X48											0.88	13.58

Table 5.4 –Standardized Factor Loadings and t-values CFA

## 5.6 Validity and Reliability Measures

In order to test for reliability, convergent and discriminant validity, we test the items' average variance extracted, the Cronbach's alpha for reliability as well as conduct an exploratory factor analysis to uncover whether the factors have a loading towards several items.

### 5.6.1 Convergent validity

Before we analyze our measurement model and the structural model, we want to assess the convergent and discriminant validity of our measures, in order to ensure that they are valid and measuring the desired construct. *Convergent validity* is related to internal consistency with the items said to measure one distinct construct. Thus, when you have convergent validity, “the items that are indicators of a specific construct should converge or share a high proportion of variance in common [...]” (Hair et al. 2010: 709).

Constructs	Cronbach's alpha*	Average variance extracted*
Closeness	0.825	0.54
Flexibility	0.908	0.62
Nature of business	0.947	0.80
Business context	0.979	0.88
Specific requirements	0.967	0.87
Trust	0.869	0.59
Competence	0.807	0.49
Responsiveness	0.945	0.69
Interaction intensity	0.745	0.37
Customer experience	0.890	0.75
Premium price	0.933	0.67
	*The Cronbach's alpha should be above 0.7.	*Average variance extracted should be above 0.5

Table 5.5 – Convergent Validity and Reliability Measures

The average variance extracted in this case is an indicator of convergent validity. Average variance extracted is calculated using the following formula (Hair et al. 2010: 709):

$$AVE = \frac{\sum_{i=1}^n L_i^2}{n}$$

---

$L_i$  is the standardized factor loading and  $i$  is the number of items. For  $n$  items, the average variance extracted is computed as the total of all squared standardized factor loadings measuring the specific item. Our items have a generally high average variance extracted, except from interaction intensity, which has an average variance extracted lower than 0.5. An average variance extracted lower than 0.5 involves that more error remains in the items than the latent factor structure (Hair et al. 2010). Thus, this could be problematic. However, we choose to continue the analysis with the interaction intensity present.

### *5.6.2 Reliability measure*

Reliability is also an indicator of convergent validity (Hair et al. 2010). We need to test our proposed items for reliability by calculating the Cronbach's alpha for our hypothesized constructs. By checking the items' internal consistency, we are able to tell if the items selected to measure the different constructs are in fact measuring what we want them to measure (Sharma 1996). From table 5.5 we observe that all of the values for Cronbach's alpha is above 0.7, which indicates that all of our items are reliable (Cronbach 1951). The items are capturing the desired effects.

### *5.6.3 Discriminant validity*

*Discriminant validity* is related to the divergence between two scales measuring different constructs (Pedhazur and Schmelkin 1991). This involves that one item from our questionnaire should not have a factor loading towards two factors, we should be certain that the item is measuring one distinct construct. We tested this through a factor analysis conducted in SPSS, using Direct Oblim Rotation, as we suspect that our items are close in construct definition. We have excluded the factor loadings lower than 0.15, in order to simplify the matrix. This gives us the Pattern Matrix in table 5.6. The idea is that the factor loadings should be higher than 0.5 on the first factor (in order to ensure convergent validity) and lower than 0.3 on the second highest factor (in order to ensure discriminant validity).

Pattern Matrix								
	Component							
	1	2	3	4	5	6	7	8
Closeness: Personnel from our company have become accustomed to working with QuestBack			-,290	-,881	,176	-,171		
Closeness: We have an extensive relationship with QuestBack				-,909				
Closeness: Others in our company have spent a lot of time working with QuestBack				-,835	-,172		-,187	
Closeness: Our company has developed close working relationships with QuestBack		,176	,253	-,639				
Flexibility: QuestBack is flexible enough to handle unforeseen problems	,554		,155	,224	,399		-,280	
Flexibility: QuestBack handles changes well	,809		,163					
Flexibility: QuestBack can readily adjust its templates to meet changes in our needs	,858							-,185
Flexibility: QuestBack is flexible in response to requests we make	,889				,181			-,206
Nature of busin: We can count on QuestBack taking actions to address the needs related to our business nature	,689		,155			-,193		
Nature of busin: QuestBack responds quickly to the needs related to our business nature	,776					-,187		,187
Nature of busin: The behavior of QuestBack indicates that they understands the needs related to our business nature	,648			-,158			,182	
Business contex: We can count on QuestBack taking actions to address our context related needs	,797							
Business contex: QuestBack responds quickly to our context related needs	,829							
Business contex: The behavior of QuestBack indicates that they understands our context related needs	,857							
Specific requir: We can count on QuestBack taking actions to address our specific requirement needs	,717							,176
Specific requir: QuestBack responds quickly to our specific requirement needs	,858							
Specific requir: The behavior of QuestBack indicates that they understands our specific requirement needs	,803						,179	
Trust: We believe the information QuestBack provides us	,260		,480			-,241	,164	,253
Trust: QuestBack is genuinely concerned about our business success	,400		,372		,158	-,241		
Trust: When making important decisions, QuestBack considers our welfare as well as its own	,459		,218	-,208	,249	-,163		,170
Trust: We trust QuestBack to keep our best interests in mind	,550				,307	-,188		
Trust: QuestBack keeps its promises it makes to our company	,372		,488	-,213			,264	-,190
Trust: QuestBack is not always honest with us							,860	
Competence: QuestBack has knowledge about the market and market trends.	,225	,287	,509		-,258		,377	
Competence: QuestBack provides us with advice about how to operate our business.	,372	,152						,599
Competence: QuestBack helps us to plan our surveys	,494					-,258		,363
Competence: QuestBack contributes with templates and features for our surveys	,257	,283	,285			-,272		,394

It is our belie: ...takes our requests seriously			,783				,173	
It is our belie: ...responds politely to our requests			,822			-,180		
It is our belie: ...is sincerely interested in our problems			,690		,269			
It is our belie: ...undertakes accurate actions to solve our problems	,208		,438	-,260	,195	-,205		
It is our belie: ...undertakes actions to solve our problems in time	,187		,718					
It is our belie: ...responds quickly to our requests	,164		,901					
How many times : ...been contacted by QuestBack who wanted to stay "In touch" and make sure your company was still satisfied.	,264	,424			,154			-,463
How many times : ...been contacted by QuestBack who wanted to keep abreast of changes in your business and your company's needs		,819				-,283		-,263
How many times : ...been contacted by QuestBack who wanted to restructure your company's account to better service your company's needs		,890			-,181			
How many times : ...been contacted by QuestBack who explained why it is a good idea to keep this subscription		,898			,152			
How many times : ...received something of personal nature from QuestBack (e.g. Birthday card, Holiday gift)		,583		-,254	,351	,377		,214
How many times : ...been contacted by QuestBack who wanted to sell you more services	-,244	,223	,414	-,337	-,197	-,223	-,243	-,325
How many times : ...been contacted by QuestBack who wanted to describe new types of changes that had become available	,409	,421			-,257			-,542
Customer Experi: When my company has had contact with QuestBack, we usually feel that we have had a good experience						-,807		
Customer Experi: We believe QuestBack tries to give us a good experience						-,842		
Customer Experi: We believe QuestBack knows the type of experience their customers want						-,767		
Value for money: QuestBack is a high quality offering and it is reasonable to pay a premium price	,185	,208	,238		,452		,266	
Value for money: We feel like we are receiving a good software in QuestBack, and it will give us value for the money		,183	,202	-,170	,476	-,348	,175	
Value for money: We think that given QuestBack features, it is good value for the money	,314			-,184	,382	-,463		
Value for money: Compared to the maximum price we would be willing to pay for QuestBack, the sale price conveys good value	,308		,258		,488	-,251		
Value for money: If we bought QuestBack at selling price, we feel we would be getting my money,s worth.	,243		,154		,539	-,192		

Table 5.6 – Pattern Matrix Exploratory Factor Analysis

From this, we see that there could be issues with discriminant validity between flexibility, trust and the three factors of understanding needs. This could have an effect on the model fit (Hair et al. 2010). We need to test this further. Therefore, we identify the squared correlation matrix, as displayed in table 5.7.

<b>Squared Correlation Matrix</b>										
	Closeness	Flexibility	Needs_nb	Needs_Bc	Needs_sr	Trust	Competence	Responsiveness	Interaction intensity	Customer experience
Closeness	1	0,19	0,16	0,14	0,20	0,26	0,07	0,18	0,08	0,11
Flexibility	0,19	1,00	0,67	0,69	0,66	0,67	0,36	0,52	0,15	0,24
Needs_nb	0,16	0,67	1,00	0,83	0,77	0,74	0,49	0,55	0,12	0,29
Needs_Bc	0,14	0,69	0,83	1,00	0,72	0,67	0,42	0,45	0,10	0,20
Needs_sr	0,20	0,66	0,77	0,72	1,00	0,58	0,38	0,49	0,12	0,16
Trust	0,26	0,67	0,74	0,67	0,58	1,00	0,48	0,74	0,13	0,42
Competence	0,07	0,36	0,49	0,42	0,38	0,48	1,00	0,41	0,18	0,12
Responsiveness	0,18	0,52	0,55	0,45	0,49	0,74	0,41	1,00	0,09	0,34
Interaction intensity	0,08	0,15	0,12	0,10	0,12	0,13	0,18	0,09	1,00	0,07
Customer experience	0,11	0,24	0,29	0,20	0,16	0,42	0,12	0,34	0,07	1,00
Premium price	0,64	0,45	0,36	0,34	0,35	0,49	0,16	0,45	0,07	0,26

Table 5.7 – Squared Correlation Matrix

We check the squared correlation between the different variables, summarized in table 5.7. The average variance extracted for each variable should be higher than the squared correlations (Hair et al. 2010). In order to check for discriminant validity, we check the squared correlation between the different variables. The average variance extracted should be higher than the squared correlations (Hair et al. 2010). We have marked the factors where the average variance extracted is smaller than the squared correlations with yellow in table 5.7. From this, we see that there are problems with the discriminant validity between closeness and premium price, flexibility and the different needs aspects as well as trust and between trust and responsiveness.

### 5.7 The Structural Model

Based on the measurement model, we created a structural model in Lisrel to test our proposed theoretical model (appendix 3). We hypothesized that there is a positive relationship between the factors closeness, flexibility, needs (all three factors measuring needs), trust, competence, responsiveness and interaction intensity on customer experience, and that there is a positive relationship between customer experience and premium price. Following, we present the fit measures and factor loadings, a comparison between the measurement model and the structural model as well as some modifications in the model based on previous analyses.

5.7.1 Fit measures and parameters

The chi square is in the structural model also significantly larger than the degrees of freedom, which indicates that our model is not an exact

Fit measures	
Chi square	1914.04
Degrees of freedom	943
p-value	0.000
RMSEA	0.082
CFI	0.97

fit. As we can see from table 5.8, the RMSEA is 0.82, which is a fair fit of the model. This is further supported by the comparative fit index of 0.97.

Table 5.8 – Fit Measures Structural Model

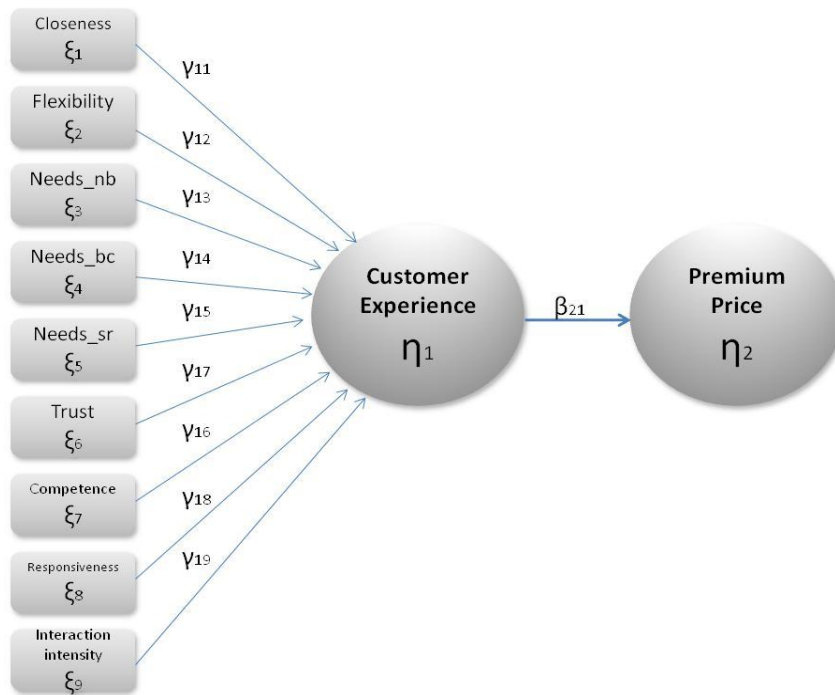


Figure 5.1 – The Structural Model

Parameters of the structural model			
Customer Experience $\eta_1$			
	Path	Std. factor loadings	t-values
Closeness $\zeta_1$	$y_{11}$	0.02	0.19
Flexibility $\zeta_2$	$y_{12}$	0.00	0.02
Needs nature of business $\zeta_3$	$y_{13}$	0.51	1.79
Needs business context $\zeta_4$	$y_{14}$	-0.26	-1.16
Needs specific requirements $\zeta_5$	$y_{15}$	-0.29	-1.49
Trust $\zeta_6$	$y_{16}$	0.62	1.93
Competence $\zeta_7$	$y_{17}$	-0.26	-2.03
Responsiveness $\zeta_8$	$y_{18}$	0.21	1.14
Interaction intensity $\zeta_9$	$y_{19}$	0.11	1.26
Premium Price $\eta_2$			
Customer experience $\eta_1$	$\beta_{21}$	0.56	5.86

Table 5.9 – Standardized Parameters of the Structural Model

From table 5.9 we observe that understanding of needs related to nature of business and specific requirements as well as trust and competence has a significant effect on customer experience when conducting a t-test with  $t_\alpha=1.29$ . Further, customer experience has a significant effect on premium price.

5.7.2 Testing the link between flexibility and premium price

In the structural model, flexibility is found to have no effect on customer experiences. However, as previously noted, customization and tailoring

Fit measures	
Chi square	1147.63
Degrees of freedom	607
p-value	0.000
RMSEA	0.076
CFI	0.96

Table 5.10 – Fit Measures Modified Structural Model

to customer needs is generally

believed to have an influence on the price charged (Pine and Gilmore 1999).

Further, in the measurement model, we identified that there were some issues with discriminant validity between flexibility, trust as well as the three different aspects of needs. Thus, in order to address this problem, we have decided to exclude the items measuring needs related to nature of business, needs related to the business



context and the items measuring needs related to the specific requirements. We also tested a direct link between flexibility and premium price. This provides us with the fit measures in table 5.10 and the parameters in table 5.11.

<b>Parameters of the modified structural model</b>			
Customer Experience $\eta_1$			
	Path	Std. factor loadings	t-values
Closeness $\zeta_1$	$y_{11}$	-0.02	0.27
Trust $\zeta_6$	$y_{16}$	0.62	2.98
Competence $\zeta_7$	$y_{17}$	-0.25	2.06
Responsiveness $\zeta_8$	$y_{18}$	0.20	1.15
Interaction intensity $\zeta_9$	$y_{19}$	0.10	1.21
Premium Price $\eta_2$			
Customer experience $\eta_1$	$\beta_{21}$	0.24	2.87
Flexibility	$\beta_{22}$	0.57	5.34

Table 5.11 – Parameters of the modified structural model

The initial results show us that the modified model has a better fit than the structural model. The chi-square is lower, but not the degrees of freedom. We do not, however, have a significant exact fit. Looking at the RMSEA, we observe that it is lower than the initial structural model. The standardized factor loadings have not significantly changed, and we still have the same relationships as in the structural model. We investigate whether the relationship between the chi-square and the degrees of freedom is better or worse in the modified model. This gives us the following equations:

$$\frac{\chi_{SEM}^2}{df_{SEM}} = \frac{1914.04}{943} = 2.03$$

$$\frac{\chi_{Modified}^2}{df_{Modified}} = \frac{1147.63}{607} = 1.89$$

From this, we see that the relationship between chi-square and degrees of freedom in the modified model is better than the theoretical structural model. Thus, we propose that the modified model (appendix 4) has a better fit.

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## 6. Results

### 6.1 Test of hypotheses

Through the structural model, we are able to test our proposed hypotheses. The hypotheses were based on a theoretical review, and the empirical data we have is able to weaken or strengthen our proposed model. We test the hypotheses based on a significance level of 10 %, leaving the critical value  $t_{\alpha}$  to be 1.29 (Gripsrud et al. 2004). Following, the findings from mainly the initial structural model will be discussed in relation to the hypotheses.

H1: Customer experience has a positive effect on premium price

The t-value of the effect customer experience has on premium price is  $5.86 > 1.29$ . Thus, this is one of the hypotheses that have been supported from the analysis. In the initial model, the standardized factor loading of this variable was significant, with a value of 0.56. In the modified model, this value decreases to 0.24, but it is still significant. We can see support for the notion that customer experience has a positive effect on premium price

H2: Personal contact has a positive effect on customer experience

Personal contact was operationalized as “closeness”, being a characteristic of a close relationship. With a t-value of  $0.19 < 1.29$ , this hypothesis is rejected on a 10% level. There is no support in the structural model that closeness has an effect on customer experience.

H3: Flexibility has a positive effect on customer experience

The t-value of flexibility and its effect on customer experience is  $0.02 < 1.29$ . Therefore, we see that there is no support in our proposed model for this hypothesis. Due to literature ambiguity, we wanted to test whether flexibility has a

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direct effect on premium price based on theory by Pine and Gilmore (1999). The t-value of flexibility and its effect on premium price is  $5.34 > 1.29$ . Thus, we found support for the idea that flexibility has a direct effect on premium price, with a standardized factor loading of 0.57, and does not affect premium price through customer experience. When moderating for this, the effect of customer experience on premium price decreases.

H4<sub>A</sub>: Understanding of customer needs related to the nature of business has a positive effect on customer experience

Understanding of customer needs related to the nature of business has a t-value of  $1.79 > 1.29$ . Therefore, we find support on a 10% level. However, we concluded with removing the variables for understanding customer needs in the modified model due to construct ambiguity.

H4<sub>B</sub>: Understanding of customer needs related to the business context has a positive effect on customer experience

From our theoretical model, understanding of customer needs related to their specific business context was of importance for the customer experience. Lemke, Wilson et al. (2006) found that business customers valued this understanding highly when dealing with suppliers. However, in our structural model, there is no support for this hypothesis (the t-value is  $-1.16 < 1.29$ ). Thus, understanding of customer needs related to the business context does not have a positive (or negative) effect on customer experience. This item is further removed due to construct ambiguity.

H4<sub>C</sub>: Understanding of customer needs related to their specific requirements has a positive effect on customer experience

This factor was related to understanding the specific needs with regards to a product or a service. With a t-value of  $-1.49$ , there is support for this hypothesis on a 10% level. However, this factor is removed due to construct ambiguity.

**H5: Follow-up has a positive effect on customer experience**

With a t-value of 1.26, follow-up, operationalized as interaction intensity, did not have an effect on customer experience, on a 5 % or a 10 % level in the structural model or in the modified model, but it is close to the critical value. However, we reject hypothesis 5: follow-up does not have a positive effect on customer experience.

**H6: Trust has a positive effect on customer experience**

In the structural model, trust has a t-value of 1.93. Thus, we see that trust is found to be significant on a 10 % level ( $t_{\alpha}=1.29$ ). In the modified model, this value increases to 2.98, making it significant on a 5 % level. This is an indicator that trust has a positive effect on customer experience. We have found support for hypothesis 6: trust has a positive effect on customer experience.

**H7: Knowledge has a positive effect on customer experience**

Knowledge, measured through competence, is the one factor that is significant in the structural model, with a t-value of  $-2.03 > 1.29$  and a standardized factor loading of  $-0.26$ . It is surprising to us that this number is negative, implying that competence has a negative effect on customer experience. There were some problems with the convergent validity of the construct, which could indicate that our items did not measure the desired construct. This could also be a reason why competence has a negative impact on customer experience. Based on these results, we find partial support for our hypothesis: knowledge has an effect on customer experience, only it is negative.

**H8: Responsiveness has a positive effect on customer experience**

With a t-value of  $1.14 < 1.29$ , we did not find any support for the notion that responsiveness has a positive effect on customer experience, on any significance

level. Thus, we reject hypothesis 8: responsiveness does not have a positive effect on customer experience

Hypotheses		Results
H1	Customer experience has a positive effect on premium price	Supported.
H2	Personal contact has a positive effect on customer experience	Not supported.
H3	Flexibility has a positive effect on customer experience	Not supported. Effect on premium price supported.
H4A	Understanding of customer needs related to the nature of business has a positive effect on customer experience	Supported. Removed due to construct ambiguity.
H4B	Understanding of customer needs related to the business context has a positive effect on customer experience	Not supported. Removed due to construct ambiguity
H4C	Understanding of customer needs related to their specific requirements has a positive effect on customer experience	Partially supported. Negative effect. Removed due to construct ambiguity
H5	Follow-up has a positive effect on customer experience.	Not supported.
H6	Promise fulfillment has a positive effect on customer experience	Supported.
H7	Knowledge has a positive effect on customer experience.	Partially supported. Negative effect.
H8	Responsiveness has a positive effect on customer experience	Not supported.

*Table 6.1- Summary of results in the initial model*

## **7. Discussion**

### ***7.1 The link between customer experience and premium price***

This thesis sought to explain the link between customer experience and premium price. Our findings indicate that this link does indeed exist and there is a clear positive relationship between customer experience and premium price. This implies and confirms our belief that by investing in superior customer experiences, a company can charge a premium price for their service offer.

Storbacka, Strandvik and Grönroos (1994) emphasize that there is a need for more research on the area of pricing of services. We have contributed by offering an indication that premium price and customer experience is related. Further, we also support the notion that the focus on customer experience is to be the next major business strategy. If we look at the development in the marketplace, it is easy to detect that this strategic change is in motion within certain companies. This empirical research study will therefore contribute to the understanding of a creating a positive customer experience and even enable companies to establish new methods for gaining revenues and cutting costs. It is therefore an important step that we have been able to show that there is a connection between a positive customer experience and premium price.

### ***7.2 Factors influencing customer experience***

#### ***7.2.1 Personal contact***

Personal contact was initially believed to have a positive influence on customer experience. We measured personal contact through the construct ‘closeness’, which is a characteristic of an ongoing relationship between a firm and its customers. We did not find any empirical support for our proposed hypothesis that personal contact has a positive effect on customer experience. The fact that there is no support for our hypothesis is interesting, since there is a general consensus in the service marketing literature that the service encounter and the contact with a service employee is of importance in a service delivery (Shostack 1985; Solomon et al. 1985; Surprenant and Solomon 1987; Bitner 1990). One of the reasons for

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this could be the research setting; seeing that QuestBack is an online software, having online assistance could be of more importance to the customers than personal contact and a close relationship.

Personal contact is one aspect of customer relationship management, and investing in a close relationship with your customers could be important for value creation, and lead to a higher revenue (Boulding et al. 2005; Gustafsson, Johnson et al. 2005; Mithas, Krishnan et al. 2005; Gentile, Spiller and Noci 2007). Even though we found no support for personal contact influencing customer experience, it could still be of importance when building a relationship with the customer and when creating customer value.

### *7.2.2 Flexibility*

The notion of flexibility has been perceived by practitioners to have an influence on the overall customer experience and thus, the premium price (Pine and Gilmore 1999; Lemke, Wilson et al. 2006). We find that there is no relationship between flexibility and customer experience, but there is a direct link between flexibility and premium price. Customer experience does not mediate this relationship. Tailoring to customer needs has a greater impact on premium price than creating a positive customer experience.

The results imply that investing directly in a flexible service offer, a company is able to charge a premium price for its services. Flexibility, measured as the willingness to make adaptations as circumstances changes, is of importance to companies. Since the business environment today is characterized by swift changes, this relationship seems logical. Thus, tailoring to customer needs by having a flexible service offer is one of the key items to be able to charge a premium price for the services offered.

### *7.2.3 Understanding customer needs*

Understanding of customer needs was one of the factors that was identified as important by the research subjects in the qualitative study (Lemke, Wilson et al. 2006). However, we had some minor difficulties with the operationalization of the

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construct, and when excluding the variables measuring the sales representative's behavior, the validity of our modified structural model increased. Since the variables measuring the understanding of customer needs were linked to behavior, as was flexibility, it is not surprising that these variables intercorrelated. They are linked to one another: in order to successfully be flexible, a company has to understand their customers' needs. Thus, having an understanding of customer needs will impact flexibility – and, again, premium price. This link was tested through a brief Lisrel analysis, and the understanding of needs significantly had a positive influence on flexibility. Hence, even though this construct was removed from our structural model with significant improved validity, understanding of customer needs is of importance when creating a flexible service offer. It is important for companies to constantly improve their understanding of customers' needs and behavior to be able to tailor their services as such, and reap the benefits we discovered in this thesis.

#### *7.2.4 Follow-up*

Follow-up was one of the factors Lemke, Wilson et al. (2006) identified as important when building customer experience in a business-to-business relationship. Even though the qualitative study suggested that this is an important factor to customers, we did not find any empirical support for this notion, as measured through interaction intensity. However, as mentioned previously, there is little empirical support for the notion of follow-up and its effect on customer experience, and this thesis has not contributed with any support. However, several researchers have identified the importance of ongoing relationships in business-to-business markets (Anderson and Narus 1998; Peppers and Rogers 2004; Selnes and Johnson 2004; Tuli and Kohli 2007). Vargo and Lusch (2004) identified that the transaction between customer and firm is characterized by an ongoing relationship. Thus, follow-up is one aspect of a customer relationship and should as such not be discarded based on the results of this thesis. It could be that follow-up does not have any effect on customer experience, but it is a part of the exchange process and could, as such, provide relationship value and benefits in terms of customer lifetime value (Peppers and Rogers 2004).



### *7.2.5 Promise fulfillment*

Promise fulfillment, measured through trust, was found to be of significance. Trust has the highest effect on customer experience, and the relationship is positive. Improving promise fulfillment by building trust has been tested empirically and is of significant importance to building a positive customer experience. This is in line with Shaw and Ivens' (2005) perception, that appealing to a customer's emotions is key to creating a positive experience.

Trust is an important component of relationship management (Peppers and Rogers 2004). Building trust and having a good relationship with a customer goes hand in hand. However, building trust is a daunting task. Seeing that trust has a direct positive effect on customer experience and customer experience has an effect on premium price, building customer trust should be a priority to companies. This is challenging and requires a lot of effort. In turn, different customers have different needs, and thus building trust with one customer can result in the loss of another (Pirson and Malhotra 2008).

### *7.2.6 Knowledge*

One of the most interesting findings from our analysis is the effect that knowledge, measured through competence, had on customer experience. Our initial hypothesis was that there is a positive relationship between the "buyer's perception of the supplier's technological and commercial competence" and customer experience (Selnes 1998: 313). However, our findings indicate that this relationship is negative. The buyer's perception of the supplier's competence has a negative influence on the overall customer experience. This could potentially be related to the emotional aspects of experience; even though we initially hypothesized that in a business-to-business relationship, building a positive experience was related to the rational viewpoint of experiences (Holbrook 2006), it could be that the emotional aspect is of more importance when dealing with customer experiences. Further, it could be that a firm's competence has a negative effect on customer experience as a result of the customer having a perception of being inferior with regards to the overall knowledge about the service offer. We have no conclusive reasons for this effect, and this finding should be investigated further.

### *7.2.7 Responsiveness*

When reviewing the original theoretical model measuring customer experience, proposed by Lemke, Wilson et al. (2006), we decided to enter responsiveness as an additional factor. This factor was included in the conceptual model based on our literature search and its link to the formation of a customer experience. We made use of Verbeke et al. (2006) research when measuring the factor, but the results from our analysis found no support for the proposed hypothesis that responsiveness has a positive effect on customer experience. This is not a surprise to us, since this factor was not identified from the qualitative analysis, but added from our literature review.

## **8. Managerial and theoretical contribution**

### *8.1 Managerial contribution*

The results of our findings indicate that a good customer experience actually do have a positive effect on premium price. Shaw and Ivens (2002: 49) discuss that “great customer experience are revenue generating and can significantly reduce costs” and we hereby support this statement and suggest that by mapping your customer’s journey you can unveil the critical aspects of their experience. Identifying the customer experience should result in actions to add value at each critical point, providing the customers the feeling that they are receiving value for money. It is therefore important for a company to be aware of their customers’ experiences to make it possible for a company to create a customer lock-on effect. This effect is powerful, since the customers freely choose it and it has the possibility to increase over time (Vandermerwe 2000: 29).

If the customer experience is managed correctly it is possible to reap benefits in terms of higher revenues, reduced costs and in the long run create a certain competitive advantage. In addition, if a lock-on effect is achieved, it is no longer the offering that keeps the competitors away but the customer itself (Vandermerwe 2000). However, it is important to bear in mind that an overall customer experience is a great blend of all kinds of variables and it is therefore nearly impossible to make a precise recommendation on how a great customer experience is created in all cases. Customers tend to measure their experiences based on their pre-made expectations, therefore their experiences becomes highly

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subjective (Shaw and Ivens 2005). We stress the fact that if a company decides to become customer centric and start managing their customers' experience, they will have to uncover the factors which are important for their customers in that specific industry and make sure that these are met accordingly. Furthermore, a company must not only identify their customers' experience, but also their customers' expectations to the service delivery. If this is done, companies will be enabled to make full use of the competitive advantage that is achievable when turning customer centric.

One of the most important finding from this study display that flexibility does not necessarily influence a customer experience, but it has a direct effect on premium price. This finding becomes rather helpful since managers now have the possibility to justify providing a flexible service due to its direct impact on the price. Another key managerial implication uncovered by this empirical study is the notion that customer trust is a highly effective tool for creating a good customer experience. Managers should realize the importance of keeping their promises and that by doing so would have a direct and positive effect on the customers' experience.

Knowledge is also proposed to be of significance when aiming at creating a great customer experience. When facilitating for knowledge development, managers must understand that we are dealing with people and that the understanding and the needs of the customers will differ from person to person. This is in conjunction with what Shaw and Ivens (2005: 53) state, which is that "people buy emotionally and justify with logic". Further on, it must be noted that customers can feel inferior if the employees in an organization use wrongful methods for teaching their customers how to operate or use a service.

In turn, everyone in an organization contributes towards the creation of a customer's experience and managers should therefore focus on the whole organization providing a stream of good experiences (the overall impression) rather than just focusing on the single touch-points with the customers (Palmer 2010: 208). It is rather important to attempt to reveal the underlying factors that make a great customer experience. We therefore encourage more research in this area.

### *8.2 Theoretical contribution*

This thesis is a contributor to the research field of customer experience and pricing and adds academic value by building on recent literature. It collects the theories within the field of marketing and customer experiences, with the intent of creating new thoughts amongst researchers. The existing theory is characterized as being somewhat fragmented and rather practical, which is why we wanted to conduct research on this topic. This thesis is a development towards a more empirical weight when researching customer experiences, hoping to increase the theoretical focus and not only the practical implications of a positive customer experience. Our findings do not provide considerable support to the research performed by Verbeke et al. (2006), which display that it is often a big difference between theories and actual empirical findings. Further, we have extended the contribution of Vargo and Lusch (2004), claiming that experiences is the new wave in the marketing literature, and that it needs increased attention.

## **9. Limitations and future research**

This thesis has attempted to enlighten the relationship between customer experience and premium price, as identified by several practitioners to be of importance (Pine and Gilmore 1999; Schmitt 1999; Shaw 2005; Shaw and Ivens 2005). Our results display that there is in fact a link between customer experience and premium price, and that the effect experience has on price is positive. However, there is some ambiguity related to the factors believed to influence customer experience. We based our research on a previously conducted qualitative study (Lemke, Wilson et al. 2006). Since this study is approximately five years old, there could have been some changes in the respondent base and their perceptions of a positive customer experience. Further, there could be differences based on the respondent's backgrounds and industries in the qualitative study.

A potential reason for the lack of support of some of the hypotheses could be related to the sample size. According to Clark and Hart (1999) the desired sample size is 200 in order to make valid statistical conclusions. The smaller the sample size, the larger the risk of making type II errors. Since we only received 154 responses in our sample, we could have a lack of support of our hypotheses. Further, the sample is based on a relatively specific industry and customer base. In

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order to increase the support of this model, future research should try to generalize the findings based on a more diverse selection of respondents.

When conducting the analysis, we discovered some scale limitations between flexibility and understanding of customer needs. Since the items measuring the different constructs were intercorrelated, we needed to remove the understanding of customer needs from the analysis in order to improve our structural model validity. Thus, the lack of support results from item ambiguity, and it may be that the different constructs are significant when measured through different items. In future research, this should be taken into consideration and the items measuring customer needs should be substantially different from the items measuring flexibility.

When measuring customer experience, we made use of Brady and Cronin Jr. (2001) definition of “valence”, which captures only the outcome of the customer experience; whether it is good or bad. The overall customer experience, however, is a wide term, and encompasses both expectations to and perception of the customer experience. Just as we have the customer gap of the gap model between expected and perceived service quality, there could be a corresponding gap between expected and perceived customer experience. This is an area for future research (Parasuraman, Zeithaml et al. 1985).

We have tried to identify the factors influencing a positive customer experience. From our results, we discovered that trust and competence is related to customer experience and that when facilitating for a positive customer experience, companies can reap the benefits in form of premium price. However, the results are not complete, and there is a lot of potential benefits to gain from further research into the separate factors that can influence customer experience. We have focused solely on the business-to-business market. In order to gain full understanding of customer experience, further research should focus not only on the business market, but also on the consumer market and the factors of importance to consumer experience.

In summary, even though marketing researchers have attempted to identify the academic value of customer experience (Novak, Hofmann and Young 2000;

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Gentile et al. 2007; Verhoef, Lemon et al. 2009) there is little empirical support and academic research regarding customer experience, its effects and the factors influencing customer experience. Even though practitioners have accepted the phenomenon, there is still a need for academic research to capture the actual effects of investing in building a great customer experience.

## **10. Conclusion**

This master thesis sought to explain the link between customer experience and premium price, which marketing practitioners have claimed to be of importance for the past decade. Through our analyses, we found support for customer experience influencing premium price. More surprisingly, however, we found a link between flexibility and premium price. Some marketing practitioners have claimed that flexibility influences customer experience and thus premium price, but we found that this mediating link does not exist. We further identified trust and competence as important factors driving customer experience; trust having a positive effect and competence a negative effect. The results imply that investing in trust will have benefits in forms of being able to charge a premium price. The factor competence turned out to have a negative effect, which might indicate that the customers put more emotions into their experiences than we initially thought. Relationship value, however, has been found to be of importance when facilitating for a good customer experience. Still, there is need for further research on this phenomenon, in order to gain managerial and theoretical insights.

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## Appendix

### Appendix 1 – Questionnaire from QuestBack

#### Master Thesis - Customer Experience Questionnaire

Dear QuestBack user.

We are two Master of Science students from BI Norwegian Business School. We are currently writing our master thesis reflecting what factors are influencing the overall customer experience with a service. We would therefore like to ask you some questions regarding your experience with using QuestBack. The answers from this questionnaire will be used for research purposes.

The questionnaire will take approximately 10-15 minutes to answer, and we hope you will take the time to contribute to our research. Your answers will be held confidential to secure your privacy. If you have any questions regarding this survey or our research, feel free to contact us by e-mail. Your respond is highly appreciated!

Best regards

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Guro Mamre Sandersen. *E-mail:* Guro.m.sandersen@student.bi.no



On a scale of 1 to 7, where **1** is **strongly disagree** and **7** is **strongly agree**, how much do you agree or disagree with the following statements?

#### 2) Closeness

	Strongly disagree							Strongly agree
	1	2	3	4	5	6	7	
Personnel from our company have become accustomed to working with QuestBack	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have an extensive relationship with QuestBack	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Others in our company have spent a lot of time working with QuestBack	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Our company has developed close working relationships with QuestBack	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

On a scale of 1 to 7, where **1** is **strongly disagree** and **7** is **strongly agree**, how much do you agree or disagree with the following statements?

#### 3) Flexibility

	Strongly disagree							Strongly agree
	1	2	3	4	5	6	7	
QuestBack is flexible enough to handle unforeseen problems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
QuestBack handles changes well	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
QuestBack can readily adjust its templates to meet changes in our needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
QuestBack is flexible in response to requests we make	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



The *nature of business* is related to your specific area of operations. For example –the nature of Walmart business is "Retail business" and the nature of Microsoft is Software Business.

On a scale of 1 to 7, where **1** is **strongly disagree** and **7** is **strongly agree** , how much do you agree or disagree with the following statements?

**4) Nature of business**

	Strongly disagree							Strongly agree
	1	2	3	4	5	6	7	
We can count on QuestBack taking actions to address the needs related to our business nature	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
QuestBack responds quickly to the needs related to our business nature	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The behavior of QuestBack indicates that they understands the needs related to our business nature	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The *business context* defines the intended market for the product, including the domain in which the system will operate (e.g. telecom, banking, web commerce, etc.) and a definition of the users of the product.

On a scale of 1 to 7, where **1** is **strongly disagree** and **7** is **strongly agree** , how much do you agree or disagree with the following statements?

**5) Business context**

	Strongly disagree							Strongly agree
	1	2	3	4	5	6	7	
We can count on QuestBack taking actions to address our context related needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
QuestBack responds quickly to our context related needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The behavior of QuestBack indicates that they understands our context related needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The *specific requirements* are related to your specific needs when using QuestBack. What you need from the service offer and how the company understands this.

On a scale of 1 to 7, where **1** is **strongly disagree** and **7** is **strongly agree** , how much do you agree or disagree with the following statements?

**6) Specific requirements**

	Strongly disagree							Strongly agree
	1	2	3	4	5	6	7	
We can count on QuestBack taking actions to address our specific requirement needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
QuestBack responds quickly to our specific requirement needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The behavior of QuestBack indicates that they understands our specific requirement needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

On a scale of 1 to 7, where **1** is **strongly disagree** and **7** is

**strongly agree** , how much do you agree or disagree with the following statements?

**7) Trust**

	Strongly disagree						Strongly agree
	1	2	3	4	5	6	7
We believe the information QuestBack provides us	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
QuestBack is genuinely concerned about our business success	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
When making important decisions, QuestBack considers our welfare as well as its own	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We trust QuestBack to keep our best interests in mind	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
QuestBack keeps its promises it makes to our company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
QuestBack is not always honest with us	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

On a scale of 1 to 7, where **1** is **strongly disagree** and **7** is **strongly agree** , how much do you agree or disagree with the following statements?

**8) Competence**

	Strongly disagree						Strongly agree
	1	2	3	4	5	6	7
QuestBack has knowledge about the market and market trends.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
QuestBack provides us with advice about how to operate our business.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
QuestBack helps us to plan our surveys	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
QuestBack contributes with templates and features for our surveys	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Responsiveness**

On a scale of 1 to 7, where **1** is **strongly disagree** and **7** is **strongly agree** , how much do you agree or disagree with the following statements?

**9) It is our belief that QuestBack...**

	Strongly disagree						Strongly agree
	1	2	3	4	5	6	7
...takes our requests seriously	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...responds politely to our requests	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...is sincerely interested in our problems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...undertakes accurate actions to solve our problems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...undertakes actions to solve our problems in time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...responds quickly to our requests	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Interaction intensity**

**10) How many times over the past year have you:**

	One time	Two times	Three times	Four times	Five or more times	Never
...been contacted by QuestBack who wanted to stay "in touch" and make sure your company was still satisfied.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...been contacted by QuestBack who wanted to keep abreast of changes in your business and your company's needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...been contacted by QuestBack who wanted to restructure your company's account to better service your company's needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...been contacted by QuestBack who explained why it is a good idea to keep this subscription	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...received something of personal nature from QuestBack (e.g. Birthday card, Holiday gift)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...been contacted by QuestBack who wanted to sell you more services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...been contacted by QuestBack who wanted to describe new types of changes that had become available	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

On a scale of 1 to 7, where **1** is **strongly disagree** and **7** is **strongly agree**, how much do you agree or disagree with the following statements?

**11) Customer Experience**

	Strongly disagree 1	2	3	4	5	6	Strongly agree 7
When my company has had contact with QuestBack, we usually feel that we have had a good experience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We believe QuestBack tries to give us a good experience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We believe QuestBack knows the type of experience their customers want	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

On a scale of 1 to 7, where **1** is **strongly disagree** and **7** is **strongly agree**, how much do you agree or disagree with the following statements?

**12) Value for money**

	Strongly disagree 1	2	3	4	5	6	Strongly agree 7
QuestBack is a high quality offering and it is reasonable to pay a premium price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We feel like we are receiving a good software in QuestBack, and it will give us value for the money	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We think that given QuestBack features, it is good value for the	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

---

money

Compared to the maximum price we would be willing to pay for QuestBack, the sale price conveys good value

If we bought QuestBack at selling price, we feel we would be getting my money's worth.

---

Finally, we would like to ask some questions about you and your company.

**13) How would you define your current role?**

- Decision maker
- Influencer
- QuestBack user
- None of the above

---

**14) What business are you in?**

Select answer

---

**15) Sales (in NOK) previous year**

---

**16) Net income before taxes (in NOK) previous year**

---

**17) How many employees are there in your company?**

Select answer

---

**18) What is the size of your company? Measured in Full-Time Equivalent (FTEs)**

Select answer

---

**19) What year was your company established?**

Select answer

---

**20) Are you internationally established?**

- Yes, globally
- Yes, in Europe
- Yes, in Scandinavia
- No, only nationally

---

**21) How many years have you been a QuestBack customer?**

- 0-2
- 3-5
- 6-8

9-10

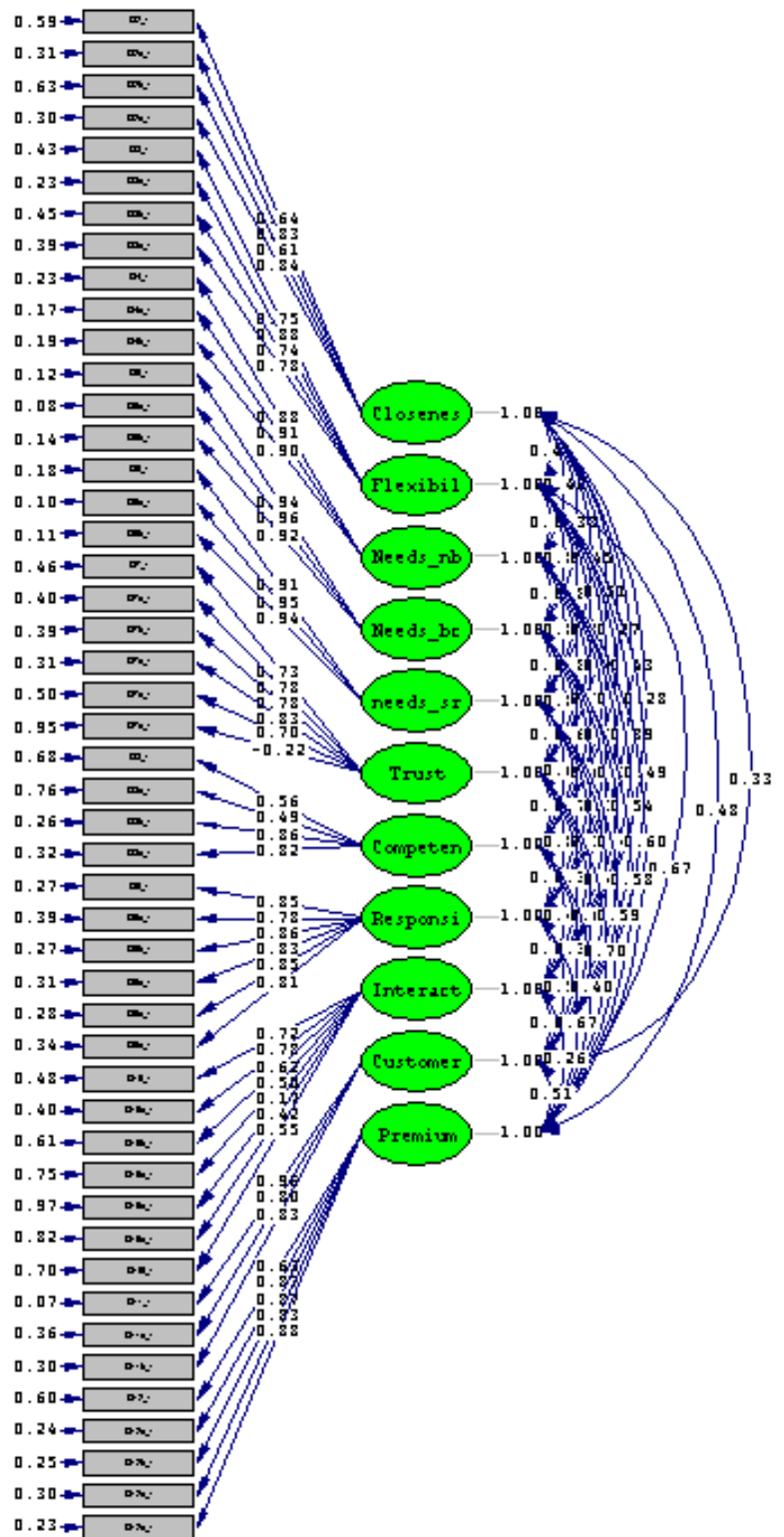
**22) How often do you conduct surveys in QuestBack (use the past 5 years as a basis)?**

- Monthly
- Quarterly
- Annually
- Ongoing
- Less than once a year

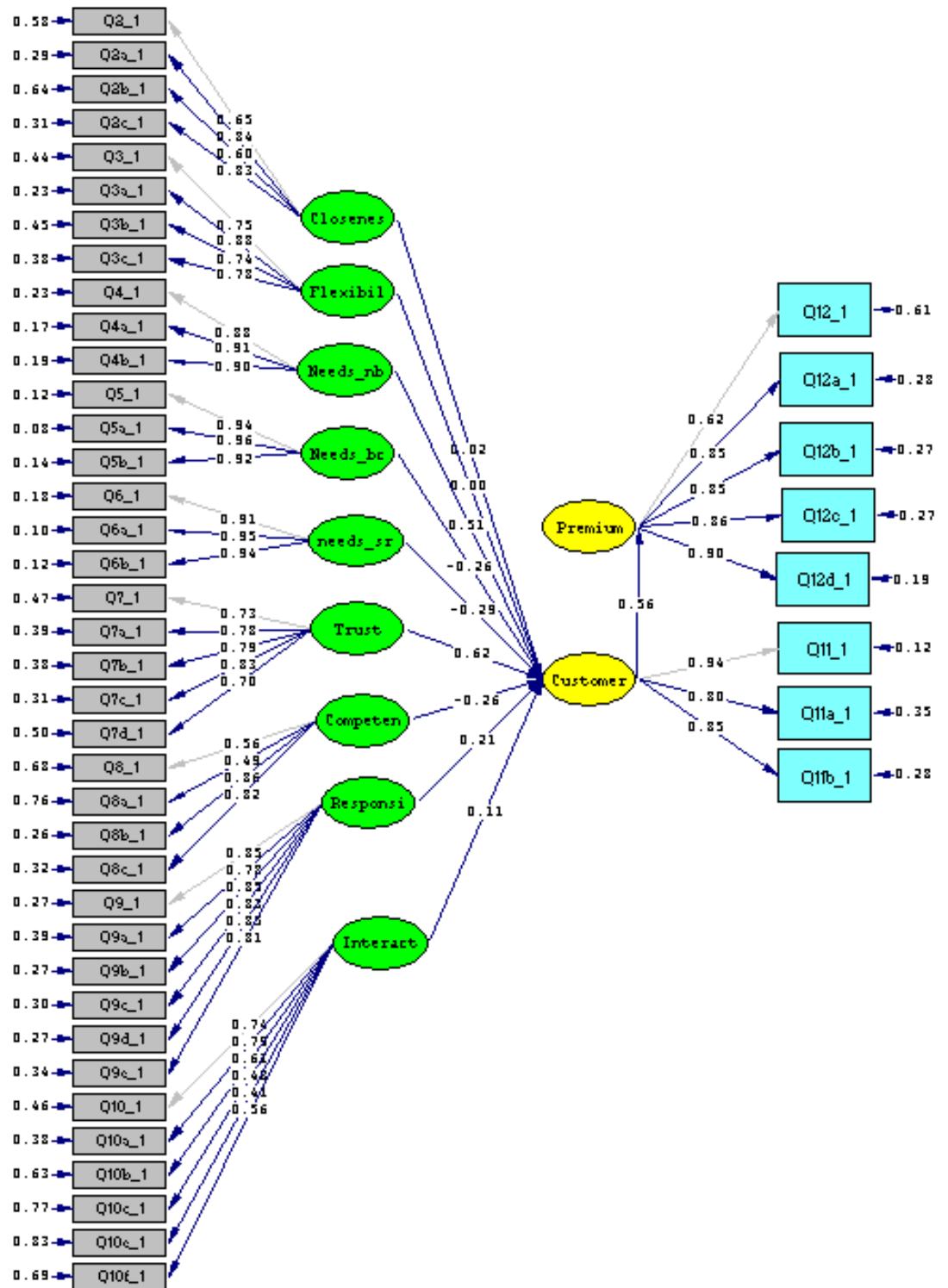
	Very unlikely 1	2	3	4	5	6	Very likely 7
What is the likelihood that you will continue your QuestBack agreement next year?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**24) Do you have any additional comments or feedback?**

*Appendix 2 – Confirmatory Factor Analysis: Model*

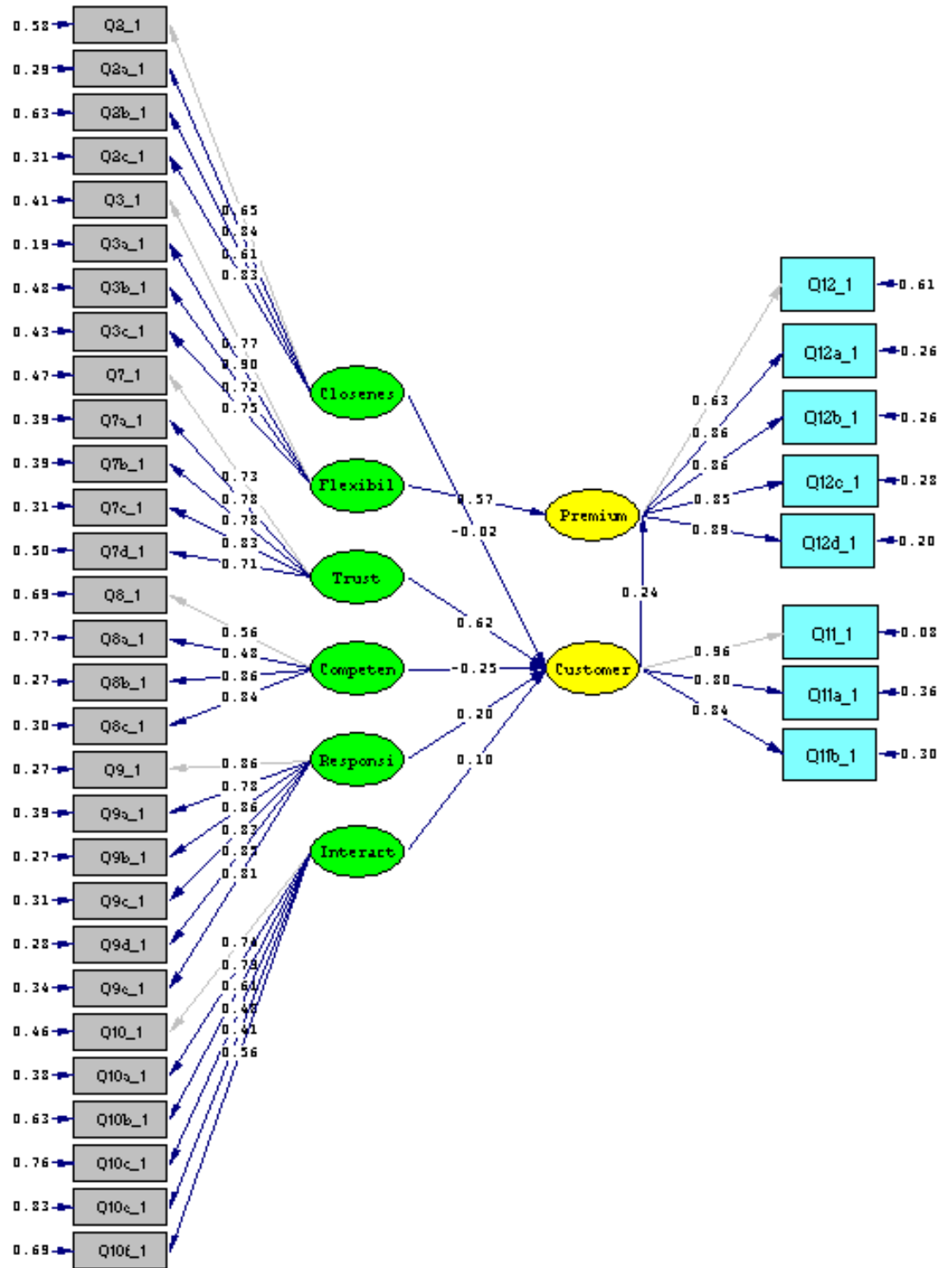


Appendix 3 – The Structural Model



Chi-Square=1914.04, df=943, P-value=0.00000, RMSEA=0.082

*Appendix 4 – The Modified Structural Model*



Chi-Square=1147.63, df=607, P-value=0.00000, RMSEA=0.076