



Customer value anticipation, customer satisfaction and loyalty: An empirical examination

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ABSTRACT

A service-dominant logic by definition is inherently customer oriented and relational, reflecting deeper and more complex connections between suppliers and customers. The service mindset driving increased collaboration enables suppliers to have deeper insights to what customers' value. Customer value perceptions are dynamic, sometimes in constant flux, necessitating anticipatory capabilities on the part of suppliers. Yet, there is a notable lack of discussion about customer value anticipation and related empirical evidence of whether or not customers care if suppliers anticipate what they value. The authors report on two survey studies that test using structural equation modeling the notion that suppliers good at anticipating what customers will value realize higher customer satisfaction and loyalty. Understanding this relationship is critical for marketing managers wrestling with allocation of limited resources. We find that customer value anticipation is a strong driver of satisfaction and loyalty, with satisfaction acting as a mediator for loyalty.

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1. Introduction

It has become relatively common knowledge that marketing managers must understand what their customers' value in order to survive and grow in competitive markets (e.g. Slater & Narver, 2000; Vargo & Lusch, 2004; Woodruff, 1997). Yet merely knowing what customers' currently value is clearly not enough because what they value changes (Flint, Woodruff, & Gardial, 2002) suggesting that suppliers must also have the capability to anticipate what customers will value. Implying the need for such a capability, market-orientation research calls for marketers to partly focus on changing customer needs (Jaworski & Kohli, 1993; Matsuno & Mentzer, 2000; Sigauw, Simpson, & Baker, 1998). Highly market-oriented firms supposedly spend time examining market trends as well as discussing future needs with customers directly. Recent extensions of market orientation separate this kind of activity into its own construct, i.e., proactive market orientation, which revolves around helping customers anticipate developments in their markets (Narver, Slater, & MacLachlan, 2004). Similarly, Jayachandran, Hewett, and Kaufman (2004) discuss the importance of anticipating changing customer needs. This premise is echoed within the service-dominant logic (SDL) discourse.

Professors Vargo and Lusch (2008) in a refinement of SDL added foundational premise 10, i.e., "Value is always uniquely and phenomenu-

logically determined by the beneficiary...Value is idiosyncratic, experiential, contextual, and meaning laden (p. 7, Table 1, Vargo & Lusch, 2008)." Building on this notion, we argue that managers within business customer organizations are constantly and idiosyncratically making decisions that affect and are affected by their experiences. As a result, what they see as valuable in supplier relationships, products and services that all serve to facilitate or block desired benefit achievement (i.e., create or hinder the creation of value) is in constant flux in a process that could be referred to as *valuing* (Flint, 2006). Therefore, understanding this dynamic nature of customer valuing, inherently customer-oriented suppliers (FP8) would expend effort trying to anticipate what their customers will value in the future in order to facilitate a valuable service exchange throughout an ongoing relationship. SDL would suggest that customers are more satisfied with and loyal to suppliers who are able to anticipate their desires well. We refer to this capability as customer value anticipation.

As no previous research has gone beyond implying the need for such a capability, we drew on this discourse to develop a definition of customer value anticipation for the purposes of our research. Customer value anticipation refers to a supplier's ability to look ahead at what specific customers will value from supplier relationships including their product and service offerings and the benefits they create given the monetary and non-monetary sacrifices that must be made to obtain those offering benefits. From the supplier's perspective, it involves both the processes for anticipating as well as the outcome predictions of product and service offerings that would most likely facilitate value creation by customers. From the customer's perspective, it is *their sense that* suppliers have such processes and their perception that suppliers are able to actually anticipate their needs, possibly even before they do.

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Our empirical examination here is not focused on the processes per se that enable suppliers to anticipate what customers will value, but rather on customers' perceptions of the extent to which suppliers possess such anticipation capabilities. Our overarching research question was: Do customers care whether or not suppliers have this capability? We equate "care" with higher levels of satisfaction with and loyalty toward suppliers who do. Here satisfaction refers to a global outcome assessment of the extent to which customers are pleased and have positive emotional evaluations of suppliers. This conceptualization is consistent with 50 years of empirical customer satisfaction research (e.g., Oliver, 1980, 1997). Loyalty refers to the extent to which customers feel committed to suppliers and do not actively seek out replacement suppliers (Oliver, 1999). It is important that we understand whether or not customers value suppliers' CVA capabilities because developing these capabilities is likely to be distinctly different from other voice of the customer processes and possibly costly to develop. In addition to this practical consideration, we contribute theoretically to the SDL discourse by suggesting that SDL can be linked to the concepts of the resource-based view of the firm, market orientation, and customer value through examination of a customer value anticipation capability. We comment on these theoretical linkages next.

A CVA capability can be seen as a dynamic capability (Eisenhardt & Martin, 2000), itself an extension of the resource-based view of the firm, and more specifically, a specific kind of dynamic capability, namely an operant resource. As an operant resource, CVA would align with informational, human, or organizational resources (Madhavaram & Hunt, 2008). Because CVA is difficult to do without close relational interaction with customers, it is most likely a higher order (interconnected or composite) operant resource (Madhavaram & Hunt, 2008). Drilling down further, if considered an interconnected operant resource, it would fall in the categories of market relating capabilities, learning platform capabilities, organizational learning capabilities, or knowledge creation capabilities (see Table 3, Madhavaram & Hunt, 2008). As a composite operant resource, it would fall in the categories of market knowledge competence, absorptive capacity, customer response capabilities, or knowledge management capabilities (see Table 2, Madhavaram & Hunt, 2008). So in multiple potential ways, a CVA capability fits well within a theoretical conceptualization of a firm adopting an SDL orientation and a resource-based view of the firm. It also fits well with current views on market orientation.

Market-oriented firms are encouraged to act on changes in customers' needs (Flint et al., 2002; Jaworski & Kohli, 1993; Narver et al., 2004). The concept of suppliers acting on changes is closely related to, if not identical to, supplier flexibility and relationship-specific adaptation, both of which address suppliers' reactions to changes in customers' needs (Cannon & Homburg, 2001; Cannon & Perreault, 1999; Noordewier, George, & Nevin, 1990). Although it can be argued that customer value, customer needs, and customer requirements are not identical constructs, at a general level the literature argues for marketing managers to pay attention to the dynamic nature of what customers want from suppliers. It is generally argued that being market oriented improves suppliers' marketplace performance. Supplier market orientation has also been viewed in terms of its effects on customers (Siguaw et al., 1998; Simpson, Siguaw, & Baker, 2001). Yet, there is still no direct empirical evidence of whether suppliers' anticipation of what customers' value actually affects customer satisfaction and customer loyalty. If not, why not just encourage marketers to be extremely flexible and adaptive? If there is an effect on customer satisfaction and loyalty, marketers will be pressed to develop processes specifically focused on anticipating what customers will value in the future. This is not a small task, but our understanding of customer value helps to clarify the objective.

Research in the area of customer value has developed and tested conceptualizations of what business customers' value from their suppliers (see Ulaga, 2001, 2003; Woodruff, 1997). This research

highlights functional, relational, and service benefits as well as monetary and non-monetary sacrifices as working together in a trade-off notion to form an overall perception of the value of a supplier relationship, including the value created by suppliers' product and service offerings. What is noticeably absent from these operationalizations of business customer value is the role of anticipation or proactivity on the part of the supplier in contributing to the level of value customers think suppliers help create. We think that our research here argues in support of adding customers' perceptions of suppliers' CVA capabilities to future customer value frameworks. If we were to use Woodruff's (1997) definition of customer value, we could simply add "anticipation of changes" to his customer value definition to arrive at CVA is a supplier's *anticipation of changes* in a customer's preference for product attributes and associated benefit and sacrifice consequences arising from intended use that facilitate achieving the customer's goals, purposes and needs. Extending this more precisely to see where CVA fits into a customers' perception of value and using Woodruff's (1997) terminology, for the purposes of our research, we are interested in customers' *preference for suppliers' value anticipating capabilities*.

Finally, concerning theoretical SDL contributions, we feel that SDL could benefit from extensions that address capability implications of adopting an SDL perspective. Following the logic of Ballantyne and Varey (2008), CVA can be viewed as a kind of service conducted by suppliers for customers, not only for the benefit of suppliers themselves. Anticipating what customers will value provides lead time for suppliers to actually prepare a response—to be ready when changes emerge. In this way, it is in the true sense "doing something for someone" (Ballantyne & Varey, 2008, p 11). The thinking around servicing customers through goods and services opens up opportunities for suppliers to become more involved in customers' worlds. This deeper involvement should allow for suppliers to develop deeper insights to customers' organizational cultures, decision-making processes, strategies, structures, performance metrics and so forth, that if interpreted closely should enable suppliers to more effectively anticipate what customers will value next. So, it is through active management of deeper involvement that suppliers are better able to serve customers by trying to anticipate what their customers will value next; allowing deeper supplier involvement is a service rendered by customers that provides insights, which will enable anticipation and response by suppliers. This logic suggests that developing a CVA capability might be an implication of adopting an SDL mindset. It is a notion consistent with that of collaboration (Gronroos, 1994; Gummesson, 1994) and superior customer-linking capabilities noted as a key source of competitive advantage (Day, 1994).

Our aim for this research was to examine the extent to which customers' perceptions of suppliers' customer value anticipation capabilities drive their satisfaction with and loyalty toward those suppliers. The next sections develop our research hypotheses based on foundational literature, present our two-study methodological approach and findings, and discuss implications for practice and research.

2. Hypotheses development

2.1. Customer value anticipation

Although challenging, businesses are pressured by quality award criteria and the business press in general to anticipate customers' future needs, expectations, and requirements (e.g., Gale, 1994). History suggests that anticipating customer market change is critical for firm success. For example, 28 years ago Peters and Waterman (1982) reported on 43 of the best-run companies in the U.S., all of whom demonstrated "closeness to the customer." Yet, a subsequent study found that 14 of the firms were in financial trouble shortly after the book's publication with a critical factor common to all of them as a failure to anticipate and respond to changing markets (Kandampully

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