



**University of Pècs**

**Faculty of Business and Economics  
The English Language Ph.D. Programme**

**THE CONNECTION BETWEEN PERCEIVED SERVICE  
INNOVATION, SERVICE VALUE, EMOTIONAL  
INTELLIGENCE, CUSTOMER COMMITMENT and LOYALTY  
IN B2B  
THE CASE OF ORIAN**

Doctor of Philosophy

By

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**2009**

## **Declaration of Originality**

I, the undersigned, solemnly declare that this diploma work is the result of my own independent research and was written solely by me using the literature and resources listed in the Bibliography.

Signature \_\_\_\_\_

Israel, December 2009

## **Acknowledgements**

To Prof. Gábor Rekettye, Scholar, who taught me how to write a scientific research and methodology, at the University of Pècs.

To Dr. Ron Kedem, for accompanying me and for the methodological aid in turning a sea of data into statistics and concrete knowledge, through the years of my research.

And last, but not least, to my beautiful wife Zofia, beautiful daughters Dana and Hadar, my wonderful son Eran, who shared with me both the difficult experiences and the successes of this research for such a long time. Thanks for the understanding and support throughout the research process and for being such a good family.

## **Abstract**

This research which was conducted among the customers of the "Orion" Logistics Solutions Company and its employees; for the first time it attempted to find connections between the employees' perception of emotional intelligence in the eyes of the customers as behavioral, emotional and intangible variables and the innovation in the "Orion" service as perceived by the customers which acts as a more tangible variable while the utilities that stems through it for the customers are direct, concrete and clear. The connection of emotional intelligence with innovation increased the perceived value of the service in the eyes of the customers, caused them higher affective commitment for "Orion" and following it, increased their level of loyalty. That loyalty was examined through four variables: by word of mouth, purchase intentions, price insensitivity and complain behavior.

In parallel this research also examined the perception of the customers and the measure of their satisfaction through a line of behavior dimensions by the "border line employees" facing them. For the sake of comparison this research examined the perception of the employees about the measure of their service behavior by the same behavior dimensions.

The connections in this research were examined through two statistical systems: (A) direct connection test, (B) a system of inclusive equations using Structural Equation Model (SEM).

The findings of the research: out of the 13 hypotheses in the research's model, six hypotheses were supported through the two statistical examination systems; one hypotheses gained confirmation only through the direct connection test; one hypotheses gained confirmation only through the overall equation system using SEM; and five hypotheses were not supported.

- The examination of the results indicates that the connection between perceived service innovation (PSI) and perceived service value (PSV) was supported. On the other hand the connection between the perception of the employees' emotional intelligence in the eyes of the customers (EQ) and PSV was supported only through the direct connection test but not through

the inclusive system of equations using SEM. The connection between PSV and customer affective commitment (CAC) was supported. The connection between recommendations of the customers by word of mouth (WOM) and CAC was supported. The connection between the purchase intentions of the customers (PI) and CAC was supported. The connection between the customers' insensitivity to the price (PrIn) and CAC was not supported. The connection between the complain behavior of the customers (COM) and CAC was not supported. The connection between WOM and PSV was supported. The connection between PI and PSV was supported. The connection between the PrIn and PSV was not supported. The connection between COM and PSV was supported only according to the SEM analysis, but not through the direct connection test. The connection between Worker EQ behavior (WEQB) and PSV was not supported. The connection between WEQB and CAC was not supported.

- Gaps were found between the dimensions of the service behavior of "Orian" borderline workers, as perceived by the employees, opposite the perception of these behavior dimensions by the customers. In all dimensions there was meaningfully higher employee estimation compared to the estimation by the customers except regarding the item "was very competent" in which reverse orientation is discerned according to which the customers appreciate the employees more than the employees appreciate themselves. The examination leads to the clear conclusions that the "Orian" employees appreciate their performance level beyond their "true" level as it is perceived by the customers. The "Orian" management should decrease the gaps by improving capabilities level of the borderline workers through the dimensions of emotional intelligence and empathy as well as regarding fluent operational issues. Another insight that emerges through this research is that "Orian" has a customers' basis that appreciates the ability of "Orian" and its employees while improvement of performance can and should lever the existing business potential towards the direction of adding far greater value for the customers following which there should be meaningful returns for "Orian".

- The conclusions of the research in the area regarding the impact of the PSI on PSV were fully supported. The connection between the service behavior dimensions by the borderline workers integrated with the EQ dimensions and between the impacts of that system of behaviors on PSV, CAC and following that their measure of loyalty was only supported partially even though the connection was supported by proofs in other researches.

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## **Preface**

The idea to research this subject evolved after years of teaching marketing while focusing on the issues of service and service quality. Service issues were forever close to the heart of the researcher while "improving the service level" of organizations is a subject that was always on the daily agenda and there is always room for its further improvement. The quality of the service integrates many dimensions within it while the dominant component is that of people and management of "moment of truth". Behavior of employees, their service level and the emotional intelligence they activate during their interaction with customers, are supposed to create for their firm a competitive advantage as well as instigate personal satisfaction and success. In recent years the awareness to the importance of emotional intelligence has increased and the fact that the researcher uses that skill quite a lot has made him wish to try and integrate the subject of emotional intelligence in his research- the present one.

Innovation undoubtedly serves as major and essential trigger in the modern world. Innovation in service which differs from innovation in products, is supposed to be expressed through the provision of greatest utility to the customers; their total should enlarge the overall value that the customer gains from the firm. That value is composed of many elements and is also supposed to grant the firm competitive advantage over its competitors. The value equation of this research's subject is based on the connection between innovation and emotional intelligence. That combination seemed quite interesting for the researcher also due to the fact that only little research was made about this issue in the past if any at all.

The customer's perceived value which constitutes one of the cornerstones in this research and which, as mentioned above, is based on emotional intelligence and innovation, is supposed to strengthen and increase the customer's level of affective commitment; its peak is supposed to be expressed through the improvement of the customer's loyalty to the firm.

Consolidation of the idea and model for this research has taken substantial time. The major difficulty with the implementation occurred because many organizations were unwilling to collaborate and reveal their information- especially personal information through which people were supposed to expose their feelings. Even when

organizations did agree to collaborate a new saga started in which people did not cooperate by expected filling of their questionnaire - either due to lack of time or due to their lack of interest but mainly because people did not wish to expose their feelings or the characteristics of their personality as it was expressed in the questionnaires. Even when success was reached at the end, after a year and a half of efforts to collect sufficient amount of questionnaires it turned out that some of them were filled with a kind of attention that was charged with additional focus.

Generally it may be said that this research required tremendous efforts and thus was escorted by quite a few crises mainly during the collection of questionnaires and also during the performance of the statistics research.

The statistical analysis was quite intricate and was characterized by long and concentrated effort to find logical connections between the variables that compose the model. Still- many of the research hypotheses were supported.

Throughout the research work as the researcher I chanced into severe problem of insufficient time mainly due to his being a senior manager at an industrial company. The lack of time forced me to waive a line of subjects that are important in daily life and mainly the consolidation of my family. On the other hand, my family did comprehend the importance of this subject and granted me full backup all along the process for which I thank them.

Additional and meaningful thanks are given also to Dr. Ron Kedem whose help opened before me new horizons of thinking and analysis.

**To sum up:** this research work served as great and interesting challenge for its writer and required tremendous investment. Hopefully the findings of this research will add one small brick to the great knowledge existing on the service issue – a knowledge that will probably serve other managers to improve the service processes in their organizations.

The research was made about the "Orian" company ([www.orian-agish.com](http://www.orian-agish.com)) which is one of the senior and leading companies in Israel in the area of logistic services. As part of an international group, the company suggests totality of solutions for managing the supply chain as "one stop shop" and provides logistic solutions that include a large variety of activities and services adapted to the demands of the

customers in the 21<sup>st</sup> century. The solutions suggested are integrated with additional companies whose activity is supposed to grant synergy to their customers:

**Schenker ([www.schenker.com](http://www.schenker.com))**

The Schenker Company has an annual sales turnover that is higher than 17 billion Euros and has 1500 branches and 79,000 employees around the world. It is one of the three leading companies in that area and offers services for continental, air and maritime transportation, advanced logistics services, full service of shipments to exhibitions and project management. The solutions suggested by Schenker enable management of entire supply chain of the organization through one supplier.

Presently Schenker is considered as the strong and leading company in Europe. The company is owned by the German train Company DB and it has the most extensive continental transportation net in Europe.

**SCG ([ww.scg.co.il](http://ww.scg.co.il))**

The company has logistics and bonded warehouses on an area of approximately 15,000 square meters providing storage services, collection of orders, distribution, stock management, added value activities (performing quality tests, labeling, preparation of documentation, repair laboratories etc.). The processes are managed through computerized systems which are among the state of the art ones and withstanding high standards enabling immediate access to information and follow-up of stocks.

"Orian" has a large variety of services in all areas of international forwarding: sea freight, air freight, customs agency, door-to-door service, consolidation services, drop shipments, land passages, trailer services and insurances. It consults and adapts the service to the customer's needs and tailors for him the optimal solution. "Orian" is committed to excellence by creating added value for the customers by providing logistic, creative and efficient solutions using the most state of the art technologies, strong customer relations, constant improvement of processes, investment in qualitative human resources and worldwide net of international and well established logistics. The company is meticulous about tight cooperation with its customers which includes adaptation of the service's nature to their demands in order to ensure their full satisfaction and thus impart them meaningful advantages over their competitors.

These points combine high level of service, innovation in service and the attempt to grant continuous added value to the customers, which led the researcher towards the idea that it would be worthwhile to base the thesis on the findings collected through the customers of the "Orion" Company as well as from its employees.

## **Chapter 1 – Introduction**

### **1.1 Background for the research**

The ongoing dominance of services in the developed and developing economies around the world raised a challenging question for service enterprises – what constitutes the "resource". This is a fundamental issue, which will invariably affect strategic decisions and subsequent management activities in service organizations.

This forces the organization to improve its core competences in service, according to the increased perception regarding the importance of service value for the customer.

Thus, the organization must understand that the way to fulfill its customer's expectation is through emotional and cognitive dimensions beyond the "regular" service components. The "regular" service includes people, processes, or physical evidence which is tangible as well as intangible evidence which are the firm's representatives through the customer's perspective.

With reference to behavioral outcomes in customer service, Emotional Intelligence (EQ- Emotional Quotient) can be identified as a potentially important variable, given that customer service providers are required to be both receptive and adaptive to consumer demands. Customer service providers require the ability to recognize and combine intrapersonal and technical skills in order to increase the level of the provided customer service (Stell & Donoho 1996).

Service firms today are expected to delight their customers with their creativity and innovation. This leads to another main dimension in today's nature of business demands that firms interact with their customers, using technology and innovation, in order to provide modern service methods. Thus progress in technology and innovations indicated that the provision of services has become the business imperative and the success factor in gaining competitive advantage.

Moreover, services have become the uncompromising core component of business and from a management perspective they have evolved to assume a strategic function.

### **1.2 Justification of the research**

The proposed research study will examine the impact of Innovation and Emotional Intelligence on customer affective commitment and loyalty and thereby provide a new contribution to the enhancement of customer service value in the logistics solutions sector.

In this sense, innovation as an organizational ability or rather as a strategic ideal and emotional intelligence, as an organizational characteristic, can be fruitfully combined in order to better customers' experience and formulating long-term commitment and loyalty.

It is expected that findings from this research will not only form the basis for practical based service programs, namely recruitment and training in the logistics solutions sector, but also for similar programs across the customer service industry spectrum.

The research will take place at "Orian" an Israeli logistics solutions company.

"Orian" was chosen as one of the leading logistics companies and due to the great competition between the logistics sectors all over the world, which constitutes a force that drives towards higher level of service quality, and a tailored made service.

Thus, investigation of the relationship and connection between service innovations, perceived service value, perceived emotional intelligence and customer affective commitment, will clarify their role in predicting customer loyalty and try to analyze the components that can lead towards competitive advantage.

## **Chapter 2 – Literature Review**

### **2.1 Introduction**

This research is searching for the customer's point of view regarding emotional intelligence and service innovation through his perception of service value. The literature review will revert to few different aspects and finally to the rational of the model.

Many researches are reviewing the emotional intelligence as a factor that has potential to contribute to more positive attitudes, behaviors and outcomes of loyalty and customer satisfaction from many different points of view. Schutte and Malouff (2002) point out that there is evidence according to which emotional intelligence can be conceptualized as either ability (Ciarrochi et al., 2000), or a personality trait (Schutte and Malouff, 1999). Bar-On & Parker (2000, p. 1108) view emotional intelligence as non cognitive intelligence which is defined as an array of emotional, personal, and social abilities and skills influencing the individual's ability to cope effectively with environmental demands and pressures.

Other researchers are analyzing service innovation that has direct and indirect impact on the global arena. A firm's competitive advantage is rapidly imitated by competitors (Dickson, 1992). This proves to be a particularly pertinent issue for service firms due to their inability to patent their innovations (Kandampully, 1993). Hence, it can be argued that a sustainable competitive advantage is achieved when firms are able to develop attributes which are difficult to replicate. Customers will be inclined to maintain their relationship only if the firm maintains their market leadership, through exceptional service as well as through innovativeness. As Popcorn (1991) indicates, "if your customers reach the future before you, they'll leave you behind".

Customers nowadays are expecting added value which is based on the culture of value in the marketplace. Today customers demand more value from what they consider as a subjective core value for them (Treacy & Wiersema, 1995). If they value low prices, they want it lower. If they value convenience or speed when they buy, they want it easier and faster. If they look for state of the art design, they want to see the art pushed forward. If they need expert advice, they want companies to give them more depth, more time, and more of the sensation that they are the only customers.

However, the way buyers define value is often split between paid price, product and service quality received, and the quality of customer service provided in the transaction. Customers expect a certain standard of quality, a suitable level of customer service and price that is within a specific range. Morgan & Hunt (1994) suggest that values in business relationships are shared to the extent that partners have common beliefs about important, appropriate, and right goals, policies, and behaviors. Such shared values are direct precursors of relationship commitment.

The context regarding commitment between buyer and seller is defined as desire for continued relationship and effort to ensure its continuance (Morgan & Hunt, 1994) or as a pledge for relational continuity between exchange partners (Dwyer et al., 1987). The literature distinguishes several types of commitment based on their underlying motives – affective commitment, cost-induced commitment, and obligation-based commitment (Sharma et al., 2001). Allen & Meyer (1990) distinguish between affective, continuance (calculative) and normative commitment. Commitment is based on affective motives such as emotional attachment, belonging, and respect for the partner, manifested through readiness to develop and strengthen the relationship with another person or group (Sharma et al., 2001). Beatty et al., (1988), state that commitment and loyalty are related, yet by definition there are distinct constructs, with commitment leading to loyalty.

This research will relate to one type of commitment: affective commitment. Affective commitment can be defined as a party's desire to continue a relationship because of the enjoyment in the relationship by its own sake, apart from the instrumental worth and because they experience a sense of loyalty and belonging (Geyskens et al., 1996, Allen & Meyer, 1990).

Affective commitment has the most pronounced impact on loyalty (Harison-Walker 2001).

Customer loyalty is often referred to as a purchase behavior, unlike customer satisfaction, which is related to attitude (Griffin, 1996). Customer loyalty, a key mediating variable in explaining customer retention (Pritchard & Howard, 1997), is related to the likelihood of a customer returning, making business referrals, providing strong word-of-mouth, as well as providing references and publicity (Bowen & Shoemaker, 1998; Bain & Reichheld, 2006). Loyal customers are less likely to switch

to a competitor due to a given price inducement, and these customers make more purchases relatively to less loyal customers (Baldinger & Rubinson, 1996).

Most researches relating to loyalty focused on frequently purchased package goods (brand loyalty), the loyalty concept is also important for industrial goods (vendor loyalty), services (service loyalty), and retail establishments (store loyalty) (Dick & Basu, 1994). Accordingly, customer loyalty constitutes an underlying objective for strategic marketing and management planning (Kotler, 1984) and represents an important basis for developing a sustainable competitive advantage (Kotler & Singh, 1981).

Within the context of this research, however, customers' loyalty is in fact the (wishful) "outcome" of a process which incorporates customers' comprehension and perception of the service process.

With regard to behavioral intentions in a service setting Zeithaml et al (1996) proposed a comprehensive, multi-dimensional framework of customer behavior intentions in services. This framework was conceptually comprised of the following four main dimensions:

- i. Word-of-mouth communications;
- ii. Purchase intentions;
- iii. Price insensitivity;
- iv. Complain behavior.

In this paper, the researcher also distinguishes these four biased behavioral responses.

These responses serve, again, in the construct of this research, as a mediating factor by which perceived emotional intelligence and innovativeness (the "inputs") are translating into meaningful and comprehensive business information.

In view of this, the literature review presented below follows the research's construct.

## **2.2 Perceived EQ service provider**

### **2.2.1 What is emotional intelligence?**

Emotional intelligence is a layout of skills contributing to the precise evaluation and expression of emotions towards one's self and towards the other; effective regulation of the emotions in the self and in the other and utilization of the sensations aiming to enhance motivation, planning and achievements in life (Matthews et al., 2002). There are different definitions for emotional intelligence and some approaches explaining this concept and its context through different points of view.

Emotional intelligence was developed in order to find quantification for the person's ability and comprehension of his behavior (Goleman, 1995). Emotional intelligence uses two concepts which prima facie are not connected- intelligence and emotion- and forms definition for a new concept that better explains social, organizational and managerial state in the world that is becoming more and more entangled and intricate.

This "emotional intelligence" concept is very much connected to similar terms such as social intelligence and interpersonal intelligence that were introduced many years before. According to Salovey & Mayer (1990) emotional intelligence is the sub-group of social intelligence which was defined by Thorndike already in 1920 as "the ability to diagnose and define your sensations and feelings and those of others, to distinguish between them and use the information to guide thinking and action" (Ibid. p. 189). The rationale leads towards insight enabling solution of bio-personal problems and regulation of behavior.

Many emotional intelligence researchers suggest various approaches regarding the definition of the skills and capabilities that compose it and it seems as though different capabilities may be included in emotional intelligence.

### **2.2.2 Preface to emotional intelligence**

The swift development in the research of emotional intelligence (also EQ= emotional quotient) leads towards innovative insights in the world of management. The beginning of that development started with a series of researches about emotional intelligence which pointed out that often the most intellectually brilliant people are not the most successful ones whether one discusses business or whether it has to do with personal life (Mayer & Salovey, 1993 ,1997; Goleman, 1998, 1995 ;Goleman,

Boyatzis & McKee, 2002 ; Sojka & Deete-Schmeiz ,2002 ;Simms ,2003 ;Deeneve & Cooper ,1998 ;Bardzil & Slaski, 2003; Slaski & Cartwright, 2003, 2002 ; Rozell, Pettijohn & Parker, 2004 ; Cooper & Sawaf, 1997).

The term EQ was accepted as abbreviation of emotional intelligent and it is parallel to IQ – the level of mental intelligence. Researches in this area discovered that managers and employees with technical skills or ones with liberal professions who are gifted with higher EQ are people who with greater facility, fluency and swiftness than others absorb the buds of the consolidating conflicts which would require care as well as the foibles of the team and the organizational structure that will require reference and change; the gaps over which it would be necessary to bridge as well as the latent connections – meaning opportunity- and finally the reciprocal relations that conceal profit within them (Goleman, Boyatzis & McKee, 2002; Cooper & Sawaf, 1997).

Management initiatives in the past did to a great extent shape the belief that analysis, statistics, research and formal relations are the ones pushing the organization towards the peak of success (Cooper & Sawaf, 1997). Perhaps that belief turned big organizations into more competitive ones, which contains quite a lot of advantages, but these necessarily demanded dramatic price which is felt daily by most people working in big organizations. It is expressed through rifts in faith, distress due to uncertainty, the growing distances between managers and their subordinates, between organizations and their customers, through creativity that is blocked; the inventiveness that is oppressed and through the weakening of the commitment and loyalty of the employees which of course impacts the performance of these organizations.

Researches handling the different and diverse aspects of emotional intelligence present an attractive alternative to the problematic nature mentioned above by enhancing the competence of logical thinking and at the same time successfully using the energy of emotions, the wisdom of intuition and the activation of the internal strength embodied in people to connect on a good level with themselves and those around them (Goleman, Boyatzis & McKee, 2002; Cooper & Sawaf, 1997). Quite a few researches proved that emotional intelligence and not the IQ (Intelligence Quotient) or the power of the brain alone is the one that established many of the best decisions, builds the most dynamic and profitable organization and the life which contains the utmost satisfaction and success (Goleman, Boyatzis & McKee, 2002 ; Cooper and Sawaf, 1997).

### 2.2.3 The development of emotional intelligence

It is possible to identify the development of emotional intelligence in the early theoreticians like Thorndike (1920) or the later theoreticians such as Gardner (1983) and ending with the modern theoreticians Mayer and Salovey (1993); Goleman (1998); Goleman et al (2002) and Cooper & Sawaf (1997).

With the development of the "social intelligence" concept (Thorndike, 1920) the variables such as capabilities and interpersonal skills were the first to be researched.

The research that acted as the turning point in the prevalent perception of intelligence was the research by Gardner (1983) who was the first to claim that there is no one monolithic kind of intelligence but it is actually a combination of seven separated intelligences:

(1) logical-mathematic; (2) musical; (3) visual-special; (4) movement; (5) personal; (6) interpersonal and (7) verbal- "multiple intelligences" as he called it. Only three out of these intelligences- the verbal, logical-mathematical and special- are linked with the capabilities that are measured through conventional intelligent tests. A decade later Gardner (Gardner et al., 1994) added two more intelligences: interpersonal intelligence and intra-personal intelligence. The components of these intelligences with the noticeable location in the brain and the unique mechanisms of data processing and expression, impact on our understanding of human ability to live and function in the world that surrounds us, as follows:

- I. **Interpersonal intelligence** (between one individual and another): it is defined as the ability of the individual to pay attention, notice and discern the feelings of another, mainly his moods, temperament, motives and intentions and his ability to make use of that knowledge (Cooper & Sawaf , 1997; Haggerty, 1996; Gardner et al., 1997). This capability is defined as "emotional awareness of the other". Their explanation for that capability is through the understanding that the emotions of the individual (the individual and the other) activate resonance that spreads its impact in all directions from the self outwards and from the system that the individual and the other are part of (their environment), back at them. Through that resonance principle, not only the other feels the emotions but those same emotions may be absorbed also by other people. The researchers outdid themselves and conceptualized the repercussions of that phenomenon among people with low interpersonal intelligence as "emotional infection": an unconscious phenomenon which may

occur within split seconds and in it the inclination of the individual is to be "infected" by the mood of the other. The ability for emotional awareness towards the other, the interpersonal intelligence enables the individual to identify the feelings of the other prematurely, to diagnose them and respond through "immunity" whose final target is to help the other to cope with these emotions. Individuals who are characterized by high level of interpersonal intelligence are describes as "people's people" who for example are within the assistance and therapy professions (Sullivan, 1999).

- II. **Intra-personal intelligence** (the one of the individual with himself) – it was identified as the ability of the individual to develop a kind of self-work model which includes (among other things) the ability of the individual to acknowledge his passions, goals, apprehensions, strong points and problems and the measure of his ability to comprehend all these and act accordingly (Haggerty, 1995). Intra-personal intelligence is based on the measure in which the individual "knows himself" and is dependent on the core procedures enabling him to notice and distinguish between his emotions. According to Gardner et al., (1996) the ability of the individual to point a finger at , identify and distinguish between his different feelings, intentions and motivation factors, yields meaningful product of profound and comprehensive self-knowledge which becomes critical while making of important decisions. Cooper & Sawaf (1997) defined that ability as "emotional literacy" which is composed of four different dimensions: (i) emotional integrity (ii) emotional energy (iii) emotional feedback and (iv) practical intuition. Cooper & Sawaf (1997) believe that emotional literacy is like studying the emotional alphabet, grammar and vocabulary, while acknowledging the wisdom latent in the feelings of the self and having respect and appreciation towards them. The derivatives of that ability are expressed in the form of the individual's ability to be sincere with himself, to get to know, identify and map his emotions, define them and characterize them. When needed, these would enable the individual to make useful use of his emotions- solve difficult situations and make difficult decisions with greater facility.

Salovey & Mayer (1990) developed a model including assortment of skills aimed at contributing towards precise evaluation such as the expression of feelings by the

individual and by the other as well as regulation and tuning (control) of the efficacy of feelings in the self and in the other and the use of these emotions for the sake of motivation, planning and achievement in life.

That primary definition of EQ underwent changes by Mayer et al., (2000) and is divided into three areas:

- I. The first area: "precise evaluation of the individual's or the other's feelings" including verbal communication (language) as well as non verbal communication (body language, facial expressions) as key means for the evaluation and expression of emotions.

Appreciation and expression of the individual's feelings involves the ability of that individual to learn about his feelings; to perform a kind of internal mirroring of his feelings; consolidate a clear and logical position on the basis of that observation and accordingly express the contents of these feelings (Salovey & Mayer, 1990). On the other hand, assessment and expression of the other's feelings consists of the individual's abilities to grasp the feelings of the other in order to ensure better interpersonal cooperation and between interpersonal interactions (Ibid.). The compulsory component in this area about which there is consensus among all researchers is the key factor- empathy; this is the ability to understand the feelings of the other and almost "experience" them anew on one self's (Mayer & Salovey, 1997, 1993; Goleman ,1995, 1998; Goleman, Boyatzis & McKee, 2002; Sojka & Deete-Schmeiz, 2002; Simms, 2003; Deeneve & Cooper, 1998; Bardzil & Slaski, 2003; Slaski & Cartwright ,2002; Rozell, Pettijohn & Parker, 2004; Cooper & Sawaf, 2004; Gardner, 1996; Bernet, 1996; Ciarrochi et al., 1999; Davies et al., 2000; Matthews & Zeidner, 2000).

- II. The second area in this definition: "regulation and tuning of emotions" – it handles the measure in which the individual manages to accumulate accessible knowledge about his moods and those of the other. According to Mayer & Salovey & Mayer (1990) the expansion of that knowledge correctly represents the readiness and the ability to observe, estimate and control the emotions (to tune and regulate them).
- III. The third area: the use of the self's emotions in favor of motivation, planning and achievement in life – it involves the ability to harness the feelings of the self in favor of problems solution. Salovey & Mayer (1990) explain that

flexibility in moods may advance the ability for flexible planning and the ability to create diverse plans for the future. This explanation is based on the findings that people who are "in a good mood" most of the time are inclined to believe that more positive events will happen in their life (optimism) as opposed to their lesser chances to experience negative events (Salovey & Mayer, 1990). Such mood may help people when they wish to decide between large diversity of alternatives they are facing and also in making more plans and more diverse ones in the future. Beyond that, Salovey & Mayer (1990) also claim that positive feelings may project on the coping capability and the solution of problems by the individual by organizing his memory so that the cognitive "materials" would be better integrated with the emotional ones and will diverse his ideas. That principle was proven in researches that examined withstanding creative missions. It has been found that the subjects that were presented in positive spirit and linked with positive moods usually resulted in more creative reactions (Salovey & Mayer 1990; Isen et al., 1985; 1987).

Salovey & Mayer (1990) explain that the intense emotions have impact potential on the abilities to solve problems. Intense feelings focus the individual's attention on the solution of the most urgent and important problems and thus also contribute to the enhanced adaptability which would help the individual to cope with similar situations in the future. Finally, the mood was found to be the motivating and pushing factor towards persistence and perseverance even in the most difficult and challenging missions and also as one that is assisting with the good performances in decision making (Salovey & Mayer, 1990; Isen et al., 1985; 1987).

Following the intensive research of the EQ, its primary definition (Salovey & Mayer, 1990) was no longer sufficient which is why it went through some changes and adaptations until it reached the more updated definition (Mayer & Salovey, 2000); the latter perceived EQ as the ability to grasp and express emotions, to assimilate emotions in thoughts, to understand them and where they stem from and also the ability to regulate and tune them in the self as well as in the other.

From these definitions emerged a sub-branch of the research that focused on how those abilities were employed in reality. As stated below, the way one can or may use her emotional abilities during her interactions and confrontations, both personal and at work, is a consequence of one's intelligent to use hers EQ.

#### **2.2.4 Models of emotional intelligence**

- I.** Ability models- these focus on the ability to process emotional information. These models see emotional intelligence as mental capability. According to the four-factor model by Mayer & Salovey (1997), the term emotional intelligence relates to the ability to identify emotional patterns and solve problems on the basis of that cognition. This model suggests hierarchic grading of emotional abilities while the higher and the intricate ones are built on the basis of using lower abilities. According to this the emotional capabilities are divided into four categories:
- a. On the first level there are skills of perception, appreciation and expression of emotions.
  - b. On the second level there are skills that include assimilation of basic, emotional experiences for mental life and assimilation of emotion in thinking including evaluation of emotions, in front of each other.
  - c. The third level includes understanding and thoughts about feelings. The feelings emerge through certain situations. The emotional intelligence on that level includes the ability to identify feelings, understand their meaning and think about them.
  - d. On the fourth level – the highest one- the emotional intelligence includes management of emotions in the self and in others.

These models are basically very intuitive, mainly because they suggest that emotion, and with it EQ and emotional intelligence, are evolutionary, much like physical or psychological growth. However, these models are very deterministic, linear and moreover they seem to ignore mutual external effects on the emotional process, and as such are less useful and practical.

- II.** Mixed models- these describe the intricate perception of intelligence that includes mental capabilities and personality traits, motivational and other emotional ones: Bar-On (1997) and Goleman (1995) suggested two mixed models which are counted among the dominant models in literature. These models describe intricate perception of intelligence including mental abilities and personality, motivational and other emotional traits (Mayer, Salovey & Caruso, 2000; Bar-On, 1997). According to this model in addition to its

mental ability the emotional intelligence also includes personality characteristics that may escort that intelligence. The model attempts to respond to the question: why do certain people succeed more in life than others? It relates to five basic functioning areas which are important for gaining success: (1) intra-personal skills; (2) interpersonal skills; (3) adaptation capability; (4) coping with stress and (5) general mood. The theory of Bar-On (1997) combines mental abilities (such as self-awareness towards emotions) with other traits which are considered to be separate from mental ability (such as personal independence and self-esteem). Another approach that also sees emotional intelligence as the ability that combines personality characteristics was developed by Goleman (1995). His model is divided into five areas; (1) cognition of emotions; (2) management of emotions; (3) motivation; (4) perception of feelings in others and (5) management of relationships. This model argues that emotional intelligence predicts success in most areas in life. That approach enables identification of the skills which would enable the person to use his emotions usefully and it may be expressed through effective work with others and also through self-control (Boyatzis, Goleman & Rhee, 2000). Exploitation of the emotional intelligence capabilities at work should be expressed through the ability to work within a team, through cooperation and more efficient functioning (Goleman, 2000). The intelligent use of emotional intelligence is supposed to contribute to the person's advantage in any area in life. The empiric data that establish these assumptions are multiplying even if there are still many question marks (Matthews, Zeidner & Roberts, 2002).

Mayer et al., (2000) described reciprocal relations, coordination and integration between motivation, feelings and cognition as the three most essential and basic elements in mental behaviors (implementation of the mental skills). Based on these reciprocal relations, the EQ was characterized by the researchers as one that to a great extent is linked with the cross-road junction between emotions and cognition. The motivation factors as these were described by Mayer et al., (2000) pop-up and rise to the surface as reaction to physical situations including motives such as hunger, thirst, the need for social contact and sexual needs. These are responsible for directing the individual to perform simple actions in order to satisfy his survival and procreation needs. On the other hand, feelings are also signals and reactions to changes in the

relationships between the individual and his environment which, among others, include the manner in which the individual perceives his place in that environment. These emotions are supposed to react not only to external changes in the relationships but also to internal changes in the intra-personal relationships of the individual with himself (the self-ego). The cognition as the third mental element that was identified enables the individual to learn from his environment and solve problems in changing situations. Mayer et al., (2000), claims that cognition mostly serves emotional motives loyally and tries to preserve these emotions as positive ones. Among others that cognition includes learning abilities, memory and solution of problems (Boyatzis, Goleman & Rhee, 2000; Mayer, Salovey & Caruso, 2000).

It is possible to see each of the changes performed by Mayer et al., (2000) in the structure of the EQ definitions in the course of time as uncompromising attempt of these researchers to get closer to the skills model and take as much distance as possible from the mixed model. Their updated approach is defined as the skills model which focuses on the reciprocal relations between emotions and intelligence while their primary definition is more representing of and more suitable for the mixed model which includes within it reference to the inclinations and traits beyond the traditional and common definition of "intelligence". The advancement towards the model of skills and the distance from the mixed model turned the model by Mayer et al., (2000) into a "harder" one which focuses on abilities that can be measured accurately while granting little attention (if any at all) to the personality inclinations and traits which by nature are more subjective and thus difficult to estimate or measure objectively. Seemingly the model ignores the theoretic and implementation value of the "soft skills" (inclinations and traits such as optimism or creativity for example) – probably due to the difficulty to quantify or measure them.

The models by Goleman (1995; 1996; 1998) and Bar-On (1997; 2000) on the other hand do not deter from using "soft skills" and they even led to the development of various measuring devices for these soft skills which , as explained before, did deter Mayer et al., (2000).

In his primary model, Goleman (1995; 1996; 1998) characterized the EQ as composed of five gradual basic elements that depend on each other. Each success in specific dimension is based on the skills that were learned successfully in the dimension that preceded it on that hierarchy, as follows:

- I. The first dimension- the individual's awareness of his emotions is a major one in Goleman's concept of EQ (Ibid.) He claimed that it is in fact the "corner stone" of EQ and is characterized by self-awareness and the ability to recognize and identify the feelings when these happen.
- II. The second dimension is the ability of the individual to manage his feelings. The key ability in that dimension is composed of the measure in which the individual is skilled in coping with different sensations such as apprehension, gloominess or nervousness in a proper manner. Moreover, Goleman argued that people with low skills in that area are also those who constantly fight sensations of tensions while people with high skills in this area can overcome obstacles and hurdles all along the road more easily and return swiftly to calmness and relaxation after being in various stress situations.
- III. The third dimension according to this theory is the individual's ability to motivate himself. Richardson (2000) claims that it means that the individual is able to focus the enthusiasm within him, the confidence and the concentration in favor of desired goal such as emotional self-control which he perceives as imperative in all areas in life. That self control is defined by Goleman (1995; 1996; 1998) as postponement of gratifications and oppressions of impulsiveness.
- IV. The fourth dimension is the ability to recognize and identify feelings in the other. As mentioned before, there is consensus that the most critical component in that hierarchy is empathy which Goleman (Ibid.) describes as "talent for people" which is basic and essential. He claimed that it is that skill which helps the individual to be more tuned to social signals that point at the needs and wishes of the other.
- V. The last dimension handles the ability to establish relationships. Control in this area ("emotional proficiency"- Goleman, 1995) enables the individual to conduct the feelings of the other and turn into one that has "social skills" (with high social skills". According to Goleman (1995) social skills include the skills required for popularity, leadership and interpersonal efficacy.

Following a long line of researches Goleman (Goleman & Boyatz, 2002) updated his model and consolidated a more limited model which included only four aspects of the EQ: (i) self-awareness; (ii) self-management; (iii) social awareness (to the other) and (iv) management of relationships. The fifth dimension from his original theory- ability

for self-motivation- was dismantled and assimilated in each one of the remaining dimensions.

Bar-On's (1997) model is most similar to that of Goleman (ibid.) Bar-On developed the "emotional-mathematical-registration" (Bar-On EQ-I, 1997) and the parallel version for children (Bar-On and Parker, EQ- iiyu, 2000) which advances the EQ theory wishing to understand why certain individuals succeed better than others. Bar-On defined the EQ as abilities connected with the understanding of the self and the other, linked with people, adaptation to changing environmental demands and management of emotions (Bar-On & Parker, 2000; Pfeiffer, 2001). Bar-On (2002) defined five areas relevant for success. These five areas compose his EQ theory and correlate with the five areas measured by the measuring devices he developed and are quite compatible with the five EQ dimensions as these were defined in the first model by Goleman (1995; 1998) as follows: (1) self-awareness; (2) self-motivation; (3) self-management; (4) awareness to the feelings of another and (5) establishment of relationships with emphasis on the independence of the individual, his general mood and his tension tolerance.

Despite the great similarity between the models of Bar-On and Goleman they do differ in some major parameters: to begin with the model of Bar-On limits more the argument about the potential advantages latent in high emotional intelligence while Goleman explicitly argued that high level of EQ enhances the potential for general success in life and the decrease of the anti-social inclinations and tendencies; Bar-On was much more reserved and he never went far in his declarations about the measure of potential latent in the EQ. Secondly, there is no doubt that the target audience of these two theories is completely different: while Goleman (Goleman & Boyatz, 2002) related more to the big organizations (the business community) Bar-On (1997; 2002) aimed more at the community of education and pedagogy.

Even though these two mixed models of Goleman (Goleman & Boyatz, 2002) and Bar-On (1997; 2002) are difficult and more problematic operatively still it seems as though the fact that they ascribe inclinations as well as traits to the EQ has ample value and importance. These models do refute to some extent the argument by Mayer et al., (2000) that these two models in particular and the mixed models in general harm the validity of prediction by the measuring devices through repeated proof of the

validity of the current measuring devices (Goleman & Boyatz, 2002; Cooper & Sawaf, 2000, Bar-On, 1997; 2002).

Accordingly the definition of Goleman (Goleman, Boyatz & MvKee, 2002) was chosen as the leading definition of EQ in this research: the ability of the individual to identify and acknowledge his feelings and those of the other and identify with them aiming to motivate himself and to well manage his feelings by himself and also in his relationships.

### **2.2.5 Problems and flaws with reference to emotional intelligence**

Mathews et al., (2002) argue that quite a few researches in the area that refer to the role of emotional intelligence within the frameworks of their work are filled with generalizations that have not been proven or verified:

- I. The argument of Goleman (1998) that "all emotional capabilities are given to development through the right practice" (p. 284) – has no backup by any proven evidence.
- II. Many of the skills and capabilities discussed in literature under the title "emotional intelligence" within the context of occupation, are composed of elements that belong to other research areas and necessarily from the concepts' area of emotional intelligence; these may be characterized as variables of motivation and flow (self capability); as personality variables (anxiety; optimism); as character variables (trust, integrity); social skills (cooperation, building social connections) or managerial skills.
- III. Most of the existing evidence supporting the role of emotional intelligence is gained through impressions based on intra-organizational researches. Most of that research uses indexes that seemingly represents emotional intelligence constructive thinking and rely on surveys which are conducted by the actual researchers (Goleman, 1998). Despite the importance of the role ascribed to vast layout of emotional abilities within work frameworks (such as: emotional awareness, empathy, solution of conflict) we still miss descriptive researches, correlating or empiric, comprehensive and specific that support the meaningful role ascribed to these capabilities in determining success with occupation or at work.
- IV. In addition, Mathews et al., (2002) argue that emotional intelligence should not be included sweepingly within occupational classification processes but

mainly in cases where the description of the occupation requires it; when the emotional skills are an important part in the description of the occupation, such as the need for empathy, for solving conflicts and in managerial roles of people.

- V. Mathews et al., (2002) claim that there is insufficient empiric evidence pointing out that the indexes of emotional intelligence predict in reliable and accumulative manner criteria of success in occupation far and beyond those predicted through standard ability or personality indexes. Researchers believe that there is no valid and reconstructed research that proves reliably that the indexes of emotional intelligence do add meaningful difference, accumulative and unique for the prediction of occupational criteria.
- VI. Few essential questions emerge through this discussion:
  - a. Is it possible to teach emotional skills effectively at the place of work?
  - b. Does emotional intelligence enlarges the sensation of wellbeing in the work place and improves performances?
  - c. Do employees with high emotional intelligence really improve the profitability of their organization?
- VII. It is the opinion of Mathews et al., (2002) that the enthusiasm concerning the utility embodied in the use of emotional intelligence at work as explained above, required additional research and empiric proofs. However, the more such empiric data would be available thus it would be possible to evaluate to what extend emotional intelligence contributes to the prediction of occupational achievements and welfare when there is substantial potential of success for such researches and implementations.

In spite of the criticism, within the framework of this research emotional intelligence assumed to account for additional and more compound emotional capabilities of an individual, mainly as these capabilities take effect within the context of the work place or as part of the individual interactions with peers, clients and customers.

Despite what can be thought of as ambiguous or vague approach to the concept of emotional intelligence, it appears it is quite robust and measurable, as discussed hereafter.

### **2.2.6 Measuring emotional intelligence**

The question that may be asked is this: was it found, during the examination of various intelligence kinds that there is one general factor that impacts all kinds in the same direction or will the person demonstrate various levels of abilities according to the kind of intelligence that is researched?

Through the point of view of the intelligence theory as one global ability, such as the approach of Spearman (1927) and his followers, it is possible to see that the research does not support their assumption that performance of one intellectual chore of any kind, reflects the performance quality in other intellectual abilities too but rather shows that there could be difference in the performance of two different chores reflecting different kinds of intelligence. And so it seems that these findings strengthen the approach claiming that intelligence is composed of few different capabilities in different areas. A person may have high ability in one area but at the same time he may have a mediocre or low ability in a different area.

Different indexes were developed for measuring emotional intelligence: (a) performance indexes (b) self-report indexes.

(A) The performance indexes were aimed to directly examine the performance of specific chore by the examinee. One of the salient performance indexes is the MSCEIT questionnaire:

MSCEIT questionnaire is based on the four-factors model developed by Mayer, Salovey & Caruso (2000), according to which emotional intelligence is composed of four factors: (i) perception of emotions; (ii) assimilation of emotions in thinking; (iii) understanding the emotions and (iv) regulation of emotions. In that questionnaire the examinees has to perform various chores reflecting his abilities in the four areas of emotional intelligence as described in the model. In order to grade the answers of the examinees they are evaluated according to opposite specific criterion. That criterion may be the opinion of the majority (consensus scoring) based on relative comparison of the examinee opposite the answers of the other examinees, about any detail while the consensus scoring is considered as the right answer. Thus for example the perception of emotion is measured through the ability to perceive and identify specific emotion that appears in a picture of a face or an abstract one. Similarly, regulation of emotions is measured through chores in which the examinee reads a short story in which a person is described who is facing emotional problem and he should decide

which one of many actions would be the one that would help him cope with his feeling. The grading of the details was based on the comparison to the consensus scoring described above. Thus, the answers of the examinee were compared to the answers of all the other participants in the model and the consensus scoring about the item was considered as the right answer.

Another criterion is the opinion of the expert (expert scoring) which is based on the comparison of the examinee's answer with the answer of an expert in the area of emotion while the answer of the expert is considered to be the right answer. Researchers show that performance indexes such as MSCEIT are connected moderately with verbal intelligence ( $r=.30$ ) and zero connection with personality indexes so these are considered as the indexes examining skill and are not impacted by involved personality factors (Mathews et al., 2002).

(B) The indexes for self-report are intended to evaluate the person's beliefs and perceptions regarding his ability in various areas of emotional intelligence. For example, in the self-report questionnaire developed by Schutte et al., (1998) the examinee should grade himself between 1 (do not agree) and 5 (agree) about 33 assertions. For example: "I know why my feelings are changing"; "I love sharing my feelings with others" and so on. Thus these questionnaires rely on the person's self-understanding and so they measure the self-perception of the emotional intelligence and not necessarily the actual level.

Parallel to the measuring of emotional intelligence the verbal ability is measured too through vocabulary sub-test as part of the WISC-R-95 intelligence test (Zeidner et al., 2005).

Another questionnaire for the measuring of emotional intelligence was developed by Varca (2004) - he developed a model of "service provided characteristics" whose importance is high during service encounters and in management of "moments of truth". Varca developed a list of "potential skills for business-to business service representative"; skills found beyond the mental or technical capabilities; skills that are suitable for the model of emotional intelligence of Goleman (1998).

The same skills of the service representatives served the researcher in this research on two dimensions. On the first dimension the customers expressed their opinion about the behavior of the service providers facing them while through the second dimension the employees were asked to evaluate their own behavior and how in their opinion it was perceived by the customers.

Another questionnaire integrating behavior of service providers at work which leads to satisfaction of the customers was developed by Winsted (2000) .In this research part of that questionnaire's "interpersonal questionnaire" was used to examine elements of emotional intelligence of employees and their impact on the customers.

In summary, emotional intelligence is concept aimed at capturing the ability of an individual to identify and acknowledge his and others feelings and to react to it, both by identifying with them and by using them as motivational factors for himself or for others this individual interacts with. During the last chapters the concept of emotional intelligence was introduced, reviewed and formulated. However, in order to better understand the role emotional intelligence play in the business environment in general and in the field of services in particular, one should fully comprehend the importance of emotion as a whole in the these settings. This will be covered over the next chapters below.

## **2.3 Worker EQ behavior**

### **2.3.1 The quality of the front line, emotion and loyalty**

Bove & Johnson (2000) and Uncles et al., (2003) identify the building of strong connection with the customer as one that substantially depends on the efforts of the front line while the experience of the customers depends on two factors: (i) the skills of the team opposite whom they are conducted (ii) the organization's policy for connection building. If the policy of the organization is negative towards the customers then the rate of loyal customers would be very small (if any at all). On the other hand even the best polity in the world will not lead to loyalty if the customer finds his interaction with the team to be unpleasant. The quality of that interaction is very much connected with the measure of the employees' emotional intelligence. Those "people's skills" which are introduced as premise for having good connections with the customer, are ascribed by many researchers to emotional intelligence (Mayer & Salovey, 1993, 1997, 2000 ; Goleman, 1995, 1998; Goleman, Boyatzis & McKee, 2002; Sojka & Deete-Schmeiz, 2002; Simms, 2003; Deeneve & Cooper, 1998; Bardzil & Slaski, 2003; Slaski & Cartwright, 2002; 2003; Rozell, Pettijohn & Parker, 2003; Cooper & Sawaf, 1997). Goleman (1995, 1996, 1997) defines "people's skills" as the ability of the employees to identify the emotions of the customers, distinguish between them and respond to them in the most suitable manner while the goal of that ability is

to enable more efficient management of the relationships. Moreover, Simms (2002) and Greenbaum (2000) argue that the customers expect to gain emotional connection also as part of the service package. The organization that will manage to assimilate culture of feelings which is also based on empathy and respect will gain higher level of loyalty among their customers. That finding about the connection between emotional intelligence of the service providers and the loyalty of customers was supported in quite a lot of researches (Cooper & Sawaf, 1997; Bardzil and Slaski, 2003).

This issue regarding the importance of the employees' emotional intelligence level is important when emphasizing the fact – about which there is consensus among most of the researchers (Bhatty et al., 2001)- that the connection of the employee with the organization determines and shapes the nature of the customer's connection with that organization. Accordingly, employees who are not happy and satisfied will have difficulty in "providing" positive feelings to their customers.

These intuitive insights set the conceptual rationale for the current study. According to it, business goals, especially regarding service based organizations, can mainly be achieved through interacting, motivating and improving workers emotional skills while the same emotional skills seems to have fundamental effect on customers' attitude toward the organization as a whole, and most importantly, on customers' long-term commitment and loyalty toward the organization, which are most desirable business goals.

### **2.3.2 Emotional behavior at work**

The growing service expectations, enhancement of the competition and the need to provide immediate and professional service to the customers caused a change in the perception of the traditional organizational pyramid, increased the value of the Y theory by McGregor (1960) and caused interpersonal skills and emotional capabilities to become more important and critical than ever in the past (Simms, 2003).

Updated researches point out that one of the most salient factors for turning an organization into a successful one is its ability to create service climate based on emotions (Schneider & Bowen, 1993; Schneider et al., 1998). That ability is quite complicated to achieve and maintain and among other things is bounded by the understanding and the insight of employees as to what is important for the organization within that context. The insight is based on the accumulative

experiencing of the employees and of the organization as to the behaviors expected from the people in the front line which are also reflected through the approach of the team and his loyalty level (Taylor, 2005; White & Schneider, 2000; Simms, 2003). Presently organizations grant more importance to the service consciousness of their employees which is expressed through externalized climate of emotional service, expressing sincere care for the customer and evidence of awareness to the customer's need and expectations as well as the behaviors expected from him by the management of the organization and the front line employees. Researches proved that mostly these qualities gain expression through interpersonal capabilities, communication skills, empathy and other emotional skills (Morris & Feldman, 1996; Zeithaml et al., 1996). The concept "emotional labor" serves as the core in the role of employees granting services (Zeithaml & Bitner, 2000) and among other things it refers to the need to demonstrate emotional, organizational desires and wishes; ones that the individual who is not part of the organizational systems (customer; supplier) may not sense their existence at all. Among other things it includes behaviors such as smiling despite the existence of anger or tension; providing rational and polite answer even to the most weird requests and so on (Morris & Feldman, 1996; Zapf, 1999; 2004).

As commercial research developed, usually under the assumption that the research's outcomes can yield practical insights as to "what should the organization do in order to enhance or better use its clientele", most of the researches concerning emotional behavior at work focused more on the employees than on the customer. The findings from these researches testify- among other things- that emotional dissonance (expressing feelings that are not in line with the inner, emotional truth) hastens tension in the employees and it has meaningful repercussions on their performance at work (Spector, 1988). In case service is provided to customers there is a need to decrease that dissonance to the minimum so as not to hurt the interaction of the employees with the customers because it has ample effect on their satisfaction measure.

Indeed, within this context, it has been proven by researches that emotions that are well managed can instigate and encourage trust, loyalty and commitment and many more positive products such as innovation and ambition of individuals, groups and organization (Deeneve & Cooper, 1998). That ability to manage the feelings in order to draw these products is ascribed to great extent to the emotional intelligence and the learning in which the entire organizational environment (employees, management, culture etc.) is "emotional intelligence".

That fact is in line with the findings of researches proving that substantial part of the organization's profits is connected with the quality of the work's environment while important part in that quality of the environment is based on feelings: the feelings of the employees about their role, feelings that derive through the daily interactions in the work environment and so on. The positive emotions are also based on trust and they form commitment and following it also loyalty. All these materialize the need of the organization for cognition in the importance of emotional intelligence as managerial as well as marketing tool. In this era when customers are looking for positive, emotional and unforgettable experiences there is meaningful, competitive advantage to organizations that provide answer to that need of their customers as opposed to other organization who suffice with provision of good service only (Pine & Gilmore, 1999; Greenbaum, 2000).

In summary, it is agreed that emotion in general and emotional behavior in part are both very important elements of modern service practices. Their merits to overall business performance are well documented. However, how emotion and emotional behavior are practically implemented and assimilated and turned into significant valuable business product is further discussed in the following chapter.

### **2.3.3 Service orientation, emotional experience and customers' loyalty**

It may be said that in recent years, in view of the transition from "service oriented economy" to "economic experience" (Pine & Gilmore, 1999) the customer is relatively immune from the routine messages aimed at him. The way to reach the customer is by creating an experience. Moreover, the customer not only expects that experience but he is demanding it. The organization which is interested in developing that ability must grant attention to customers as well as to its employees for dissatisfied employees who are not in touch with their emotions cannot grant or provide any kind of emotional value to the customer (Greenbaum, 2000; Ashkanasy, Zerbe and Härtel, 2002; Cherniss, 2000; Ashkanasy et al., 2002; Krepapa et al., 2003; Price et al., 1995; Roberts et al., 2003; Spencer, 2002).

Among successful service provider organizations the service orientation is well stamped. The employees working in these organizations are usually people who are more sensitive, more connected with their emotions and ones who manage more easily to identify the feelings of the person facing them. In most cases, these people would

be able to solve problems that are instigated at interpersonal interactions through more creative and emotional solutions which in turn would create "moments of truth" with added value for the customer. Usually these service providers "tie" their customers through very strong emotional "strings". These "emotional strings" usually evolve during these first stages of interaction between the organization and its customers into customer behavioral loyalty. However these "strings" continue to develop, and later on they evolve into cognitive loyalty and finally maturing to the highest level of loyalty which is the emotional loyalty (Bardzil & Slaski, 2003; Costabile, 2000; Lemon, White & Winer, 2001; Oliver, 1999).

The process of turning emotion into loyalty may seem intuitive, however, as discussed in the following chapter, it turns out that it is in fact a complex product of the reaction between customers' trust and customers perceived experience.

#### **2.3.4 Trust, emotional loyalty and customers' experience.**

Barlow and Stewart (2004) determine that trust is a rare commodity in our world. Trust is formed as result of the judgment people make about behavior of organization in the course of time. They present the results of a large scale Australian survey held by Edwardson and Croker (2003) in which the findings show that only one out of twenty customers trusts the organizations that grant him service; what is even worse is that only one out of forty customers believed that the organization trusts him.

Deerneve and Cooper (1998) identified trust as the most critical component in emotional loyalty. They claimed that the inability to create trust collects "intangible" price as well as tangible one that is particularly high. The trust issue may turn into organizational crisis due to lack of consciousness and lack of readiness by both managers and employees to cope with emotions. Deerneve and Cooper (1998) claim that time - as the most expensive organizational resource - is wasted precisely on not granting and not acquiring trust which forms self-defense, suspicion and doubts (which are well felt by the customers) instead of dealing with creative and valuable collaborations; in other words: creating trust as basis for intra-organizational cooperation which may contribute to organizational innovation which in the long run may lead to enhanced customers' loyalty (Deerneve & Cooper, 1998; Raimondo, 2000).

Greenbaum (2000) intensifies these arguments concerning the importance of emotional intelligence in the creation of emotional loyalty in general and trust in

particular and calls the organizations to build service culture which is encouraging and based on emotions. He claims that in order to cope with the feelings of the customer efficiently, the employees and managers must first of all reach high level of consciousness about their own range of emotions. Using the skills' model (Goleman et al., 2002; Bar-On & Parker, 2000) enables to create an environment that nurtures self-awareness and positive feelings by encouraging the learning of feelings, capabilities, personality traits and social tendencies and their implementation while granting service (for both internal as well as external customers) and processing them up to the highest level of creating hierarchy of critical marketing products in the following order: (i) enlarge the value perceived by the customer; (ii) enlarge the customer's satisfaction; (iii) enlarge the trust (between the service provider and the customer); (iv) enlarge the rate of repeated purchases; (v) development of behavioral loyalty; (vi) cognitive loyalty and finally (vii) emotional loyalty as strong basis for long range and fertile relationship with the customer. Greenbaum (2000) adds that indeed it is not easy to form culture based on skills and emotional capabilities and link it with customer service but it is definitely a meaningful competitive advantage especially in the forming "experience oriented economy". Greenbaum (2000) as well as Pine and Gilmore (1999) stipulate the success in creating such culture by the fact that the employees would never be under stress and emotional pressure when they offer service to the customer. Moreover they should provide positive emotions as inseparable part of the "service package". The team of employees should be conscious and confident of his feelings when providing service. To ensure that these emotional utilities would be at the basis of the service oriented philosophy of the organization, full support of the management is required. There is a need to maximize the customer's experience also through empathy (Thoits, 1996). On that matter Greenbaum (2000) argues that simple satisfaction surveys are insufficient to understand how the customers feel. One should aspire to come as close as possible to "emotional reaction" the key to which is empathy (Mayer & Salovey, 1997, 1993, 2000; Goleman, 1995, 1998; Goleman, Boyatzis & McKee, 1998; Sojka & Deete-Schmeiz, 2002; Simms, 2003; Deeneve and Cooper, 1998; Bardzil & Slaski, 2003; Slaski & Cartwrigth, 2002, 2003; Rozell, Pettijohn & Parker, 2004; Cooper and Sawaf, 1997; Ciarrochi et al., 2000; Matthews & Zeidner, 2000). It should be verified that the employees can and are able to decode the emotional communication with the customers and are able to connect with them through empathy. Recovery from service

failure instead of perceiving the customers' complaint as "emotional opportunity" and efficient treatment of complaints may generate the difference in the rates of customers that come back and at the end and the rates of loyal customers. Adding emotional added value- is the best strategy for turning difficult situations of service failures into fertile relationships based on emotional connections which finally become the most efficient tool for the enhancement of customer loyalty (Oliver, 2006; Reichheld, 2006; Greenbaum, 2000). The use of that tool obliges great caution in whatever concerns the strategy regarding "emotional retention of customers"; the employees must understand that the major goal of improved service is to respect the customers through care and sincere concern on a level that will encounter their needs. There is a need to listen to the loyal customers and preserve them, among other things, by preserving and developing a team of employees with high EQ level, by demonstrating attention to details, concern and communicativeness that transmit a clear message to the customer: a message of decency.

Following all that has been written there is a call that should be pointed out- the one by Rozell, Pettijohn and Parker (2004) to the organizations- to turn their emotional intelligence into a tool for classification and identification of human resources for the organization. They claim that the finding testifying about emotional intelligence as one connected with strong, positive connection to employees that have high service orientation validates the efficacy of emotional intelligence as food predictor of future success in the provision of service. Other research findings testify about the existing connection between emotional intelligence and better performance at work, better sales data, better leadership capabilities and higher commitment, which is also enhanced by: Goleman, 1998; Carson & Carson, 1998; Dulewicz & Higgs, 1999; Palmer & Stough, 2001; Freshman & Rubino, 2002.

These critiques suggest that although trust and emotion can account for considerable portion of understanding the mechanism that helps turning service characteristics into customers' loyalty, there are other elements of this mechanism that are neither emotional nor logical (the actual need for the service), that can best be described as an added value, a new appeal or simply as an innovation.

## **2.4 Perceived service innovation**

### **2.4.1 Definition of innovation**

The research literature presents large diversity of definitions for "innovation" (West & Farr, 1990; Martins, 2000; Robbins, 1996; Hellriegel et al., 1998; Zhuang et al., 1999). The most common definition is that of Spence (1994, p. 25) : "Innovation is anything that did not exist before and mainly anything that is new about the personal and existing state of the individual/organization or has the ability to make different use of it once there is awareness to it". That definition relates to few levels of innovation:

- a. Invention- creating something that is totally new.
- b. Improvement- melioration of the existing.
- c. Diffusion or adoption of innovation that was developed in a different place (external source). At times innovation is also ascribed to specific area and then its definition requires suitable reference such as innovation in marketing. The opening point is the word "newness" which differentiate between any change and can clarify – at least in the area of innovation in marketing- "what is new?"; "How new?" and "new to whom?" (Reketye, 2002).

Undoubtedly innovation through invention is the one that plays a major role in the development of human society. Indeed, it exists and takes place but it certainly is rarer than the innovation of improvement of diffusion (Spence, 1994).

As explained above, Spence (1994) referred to the levels of innovation and the aspect of time. Only penetration at a suitable point in time can cause the individual/organization to identify and define that which has happened as innovation. West and Farr (1990) assert that the goal of innovation is the development and shaping of advantages for the developing firm and its customers. The researchers are of the opinion that innovation obliges organizational awareness and openness to ideas, processes, products and new procedures. Martins (2000) criticize the perception that any innovation (product/service/process) is an innovation. He claims that one should examine the concept in which each new idea (product, service, process or action) is calculated and implemented. Only according to these it could be determined if it may be referred to as innovation- relatively to the existing framework. Reketye (2002) claims that innovation may be continuous only when it is built on something that

exists and forms correlation between the new and the old ; it may be unique or leading to unique radical changes.

The definitions for innovation differ mainly on the analysis level they are ascribed to (West & Farr, 1990); some of the definitions are most general (Robbins, 1996; Rogers, 1995, Subramanian & Nilakanta, 1996) while others focus on the innovation in the implementation of idea for a new product or service (West & Farr, 1990; Martins, 1990; Covey, 1993; Eyton, 1996; Glor, 1997).

As can clearly be seen, and unlike many other more tangible, definitive or specific aspects of conducting business in a competitive environment in general, and marketing or acquiring business advantage in specific, innovation is less perceptible. However, most researches acknowledge its distinctive added-value and as such consider it to be a key factor in organizational development and evolution.

#### **2.4.2 The importance of innovation and its challenges**

There is consensus about the importance of innovation regarding the practical aspect as well as the theoretic one. That importance is enhanced in the present millennium due to the new market conditions (Rekettey, 2002). In his explanation of the growing need for innovation, Peters (1998) repeatedly emphasizes the dynamics in the business environment. He claims that as consequence of that situation, the incessant innovation is the single long term survival strategy for organizations. Peters argues that since quality is provided by all at present, the organizations must channel their innovation for building brands that are distinguished and attractive. To his view, innovation through invention is considered a common virtue, used as such for benchmarking, while differentiative innovation can mainly be achieved through marketing and promotional operations. This view is slightly different than the one presented by Morgan (1997) who emphasizes the perpetual changes in the business environment. His opinion is that organizations would cope better with perpetual changes through identification and observation, held in the right time, of environmental trends, adoption of relationships based on entrepreneurship with the external environment (to observe more easily problems that may emerge in the future); provide the highest level of management; develop human resources through the development of intelligence (mainly emotional), creative and potential knowledge on all levels of the organization and also development of strategies for the advancement of creativity, learning and

innovation. The road to that will lead to the flattening of the organization's structure and consequently to the balance between control and delegation, development of managers, coping with intricacy and multiple interested parties; holding proactive approach with the ability to reshape the socio-economic environment for the needs of the organization (Roffe, 1999). Morgan (1997) added that all these require totality of organizational skills, new abilities and insights in order to better cope with the incessant changes and innovations.

The underlying conclusion that arises from these researches is that innovation, at least one that is not a product of technological progress or invention, is a mutual outcome of both workers and organizational skills and management vision, and as such can be disassembled, analyzed and modulated.

### **2.4.3 Kinds and models of innovation**

Achibugi et al., (1994) suggested different kinds of innovation according to the order of their historical development: (i) in the product; (ii) in the process; (iii) in the organization; (iv) in the design; (v) in the packaging and so on. That definition includes innovation in service. They found out that there is more similarity than difference between innovation in service and innovation in production. In their research Djellal and Gallouj (2001) expanded on the concept of innovation not only regarding manufacturing processes but also intra-organizational innovation and extra-organizational innovation which are based on the connections with firms or partners. Schumpeter (1934) expanded on the term innovation when he included five areas in it (p. 66): (i) letting in a new product or new quality; (ii) letting in a new method of production including new ways for management of the innovation process; (iii) opening a new market; (iv) the importance of new supply source for raw materials and (v) opening a new body of industry. Later on Schumpeter (1934) emphasized the innovation as a trend in business and as economic principle. His research focused on the innovation in service while he emphasized the point that it is economically practical. He expanded on the principle of innovation in the service organization which includes the process of data collection more than innovation in industry.

Even though innovation is usually mentioned within the context of products and technologies, "innovation" is not creativity. Rekettye (2002) argues that there is managerial innovation to which innovation in marketing is also ascribed. That

innovation indirectly belongs to the activity of the basic work. That innovation may include changes in politics, rules, responsibility, administrative processes or routines. As opposed to that there is technological innovation that involves changes in the physical environment. Definitions of innovation that focused mainly on the product while referring to differences in quality or performance and while examining the creative attempts in that area formed certain confusion between the concepts "innovation" and "creativity" (Arad et al., 1997; Udawadia, 1990).

Any business organization, whether it is productive or supplier of services, transforms inputs (raw-materials, skills) into outputs (tangible products or intangible services). Within this context innovation may also be:

- a. Output innovation- innovation in products, services, packaging and distribution.
- b. Input innovation- innovation in materials and their mode of provision.
- c. Process innovation- innovation in the processing of technologies, skills, capabilities, techniques, organizational systems and administrative procedures that are involved in the processing of inputs into outputs.

Among the three kinds of innovations, the first one, innovation of the product (service) is the one most familiar to the customer because it is in fact that which he is paying for. Process innovation certainly is not a new concept for the productive or service provider organizations. Innovation in resources turned into the ambition of many organizations. For example the development of new materials such as plastic with high resistance changed the looks of many industries. As result of that, many products or parts of products which were made of wood or metal in the past- are presently suggested to customers for a much cheaper price when they are made of plastic (Zhuang et al., 1999).

The incremental innovation as opposed to radical innovation within the framework of division into kinds of innovation yielded the concept of disruptive innovation (Betz, 1997; Christensen, 1993). This concerns innovation which is revolutionary on a level that turns everything that preceded it into irrelevant one. An example for that may be found in many markets while in the television market for example the LCD and Plasma television pushed the TV Tube. Within this context, the incremental innovation is one aimed to improve an existing product in various ways so as to turn it

into more attractive one for the customers. As opposed to that, radical innovation aims at creating a totally new product which does not exist in the portfolio of the company's products, hoping that it would be a revolutionary product that will "turn the market upside down". The disruptive innovation serves as the basis on which the Blue Ocean Strategy is based (Kim & Mauborgne, 2005).

Chesbrough (2003) is of the opinion that the innovation model which is the most common and prevalent at present is the model of "open innovation". He claims that more and more innovative organizations move to that model while using large range of "supporting actors" in the external environment and external sources in general such as start-up companies, research institutes and private entrepreneurs so these could help the organization to achieve the innovation that is desired and maintain it for a long time. This method is called "connect and develop".

The "Connect and develop" model in Salter (2004) is based on the idea that the external sources for innovation can many times be more valuable than the internal sources. Accordingly, "open innovators" are those organizations that combine external sources in their innovation processes and their competition strategy (Chesbrough, 2003).

The theory of "open innovation" argues that the advantages the firm acquires following financial investment on internal research and development (henceforth: R&D) are decreasing and still preserve their innovation; they do so through the importation of knowledge and various experts from large range of resources that are external to the organization. The substantial decrease in the strategic advantages of the R&D is amply connected – among others - with the growing mobility of the knowledge employees and mainly the knowledge experts. That mobility makes it difficult for the organizations to control and manage the R&D investments in a stable manner. Chesbrough (2003) and Chesbrough et al., (2006) claimed that "open innovation" is turning new ideas into commercial ones through the development of both external and internal routes to the market. That process redefines the border between the organization and the environment that surrounds it. In view of the obscurity of the borders, relationships, cooperation and reciprocal relations are more easily developed between the organizational innovation net and other additional nets.

These work together and separately to turn the new information into commercial one (Chesbrough, 2003; Chesbrough et al., 2006; Salter, 2004).

In the center of the open innovation model (and other similar models) there is the question: how does the organization use knowledge and ideas of external factors within its new innovation processes? Chesbrough (2003) claimed that the organization that is too focused inwardly- is inclined to miss more opportunities since many of them are found outside the firm or oblige the use of external technologies in order to actualize their potential. A good example for the implementation of that model of open innovation is the case study of P&G (Proctor & Gamble in Salter, 2004). Aiming to ensure greater exploitation of innovation sources and external innovative ideas, P&G transferred her innovation strategy to the strategy of "connect and develop" as opposed to internal focusing on R&D only. P&G opened itself to a much larger range of external sources for the development of innovative ideas, meaning, it imported ideas of others.

The researches of Chesbrough (2003) characterized innovation as interactive move that mixes relationships with different functions in the external environment of the organization (Rosenkopf & Nekar, 2001; Laursen & Salter, 2004; Salter, 2004; Lunvall, 1992; Von Hippel, 1998). A major part in the innovation process is the way in which the organization conducts its searches for new ideas with commercial potential. Therefore the search processes inside the organization may be considered as investment in the ability to produce, use and upgrade existing and new knowledge. Many empiric researches pointed out that the nature of the company's search strategy may amply impact the performances of its innovations (Katila & Ahuja, 2002; Ahuja, 2000a). Accordingly the search for innovations is perceived as one with dynamic ability per se which enables the organization to obtain continuous competitive advantage (Eisenhardt & Martin, 2000).

At the basis of all these researches, regarding the importance of the search for innovation, there is the early research by Schumpeter (1942 in Freeman & Soete, 1997; Tidd et al., 2002; Mohr et al., 2004) who led to the shaping of the "lonely entrepreneur" model perceiving the organization as entrepreneurship per se that occasionally issues innovation into the market (its environment). As years passed by

that model went through many changes until it was almost completely substituted by the more updated models regarding the organization as one player inside a system composed of many players (i.e. the external-organizational environment) working together through the recurring process of trial and error aiming to lead to the successful commercial exploitation of new ideas (Freeman & Soete, 1997; Tidd et al., 2002; Mohr et al., 2004). These new models of innovation repeatedly emphasize the interactive character of the innovation process and claim that innovation people rely substantially on their reciprocal actions with the different powers in the environment (mainly with the leading users, henceforth the customers of the organization), with different performance departments in the organization and with a range of various situations within the entire organizational innovation system (Szulanski, 1996; Brown & Eisenhardt, 1995). According to that outlook the innovators hardly innovate alone; they are inclined to join together in groups and coalitions based on the creation of "swift trust"; integrate within the practice communities and be embedded in the dense net of the reciprocal relations (Salter, 2004; Scott & Brown, 1999; Brown & Duguid, 2001). From that point it is definitely possible to deduce about the ample importance of teamwork, integration, collaboration and communication for the innovation process.

Focusing on openness and interaction in the different innovation researches reflects a much wider trend in the researches of organizational behavior arguing that the net of connections between the organization and its external environment may play important part in the shaping of the organization's innovation performances (Freeman & Soete, 1997; Tidd et al., 2002; Salter, 2004). As example it is possible to indicate the research by Shan, Walker & Kogut (1994) who found connection between the cooperation (between the organization and its environment) and the positive products of innovation in the start-up companies of the Biotechnology branch. The research of Ahuja (2000a) showed similar findings as did many others (Rosenkopf & Nekar, 2001; Eisenhardt & Martin, 2000).

As stated above, these innovational processes of the organization are mostly an outcome of sophisticated and compound allocation and collaboration of resources. However, in most cases these "resources" are not tangible. This means that innovation involves turning the "raw", intangible data into effective, perceptible commercial

information which, in the absence of a better word, can only be referred to as knowledge.

#### **2.4.4 Innovation and knowledge**

The inevitable need for renewal, to create and learn and the growing difficulty to form continuous competitive advantage led to the development of knowledge as the only source that is reliable and continuous for creating competitive advantage in economic conditions; in it the only certainty is the uncertainty (Roffe, 1999). The successful organizations are the ones consistently creating new knowledge, distributing it in a comprehensive and efficient manner in each organization and using it swiftly in favor of creating new products and services. These characteristics define organizations as "knowledge manufacturers"; ones for which the soul of their business is continuous innovation, obliging all its partners to learn perpetually and develop skills, capabilities and many intelligences. The key to success in knowledge companies is to build intellectual capital that will manufacture core capabilities and unique products which would lead to excellent results. In knowledge companies each employee is "knowledge employee" and inventing new knowledge is their way of life (Roffe, 1999; Leonard-Barton, 1995). Leonard-Barton emphasizes the importance of knowledge in the process of building innovation. She claims that innovation is in fact the core ability and it should be structured within the mechanism of importing and manufacturing of new knowledge, transference of knowledge in all the levels of the organization and in all existing communication channels and the development of new knowledge foci.

In a matter of fact, knowledge can be treated as a resource, and as such can be handled, managed, improved, shared, distributed, restricted, manipulated or diminished. Moreover, the way organizations handle knowledge, and as stated above more so within their interaction with external environment, have a direct influence over their innovation. In view of this, the main goal of organizations should be encouraging innovation mostly by expanding valuable knowledge.

#### **2.4.5 Organizations encouraging innovation**

Burns and Stalker (1994) differentiated between two kinds of organizations as relevant in the area of innovation: the "mechanist" organization that functions successfully only around permanent environmental conditions, with clear hierarchy of control according to which the responsibility for managing the knowledge and control are

concentrated in the hands of the senior management; the administration missions are dismantled into proficiencies while clear missions are defined for the individual. The characteristic communication is the vertical one and there is demand for total loyalty to the superiors.

As opposed to that the "organic" type of organization is one that adapts more easily to changing conditions, in which unpredictable problems are constantly evoked and there is no clear separation of missions or defined ones between the different experts. There is continuous adaptation, less missions that are defined for the individual and there is extensive support (as opposed to limitation) and encouragement of the individual's knowledge. Communication and interaction are found on all organizational level as inseparable part of any process that takes place and there is much higher level of commitment to the organization's goals. Burns and Stalker (1994) established that mechanistic organization aspiring to transform into organic organization would experience much difficulties the source of which would be in the power struggles to protect the control.

The categorization is most important in this matter since it reflects the chosen strategy of the organization and the way in which it is conducted towards its actualization. On the one hand the mechanistic structures emphasize control particularly on the performance level; on the other hand organic organizations diminish control to minimum while maximizing the possibility to undertake risks and maximize the responsibility of the individual. Kanter (1984) expanded on that area and found out that there are also differences between one organic organization and another regarding innovation: there are those who aspire to innovate and others who indeed innovate. The truly innovative organizations keep interactive approach to the solving of problems by expressing readiness to see beyond the routine solutions; to challenge the existing and see changes as opportunities. As opposed to that, organizations (organic as well as mechanic) that are not interactive are inclined to perceive problems as specific and try to ascribe them to specific department problems (as opposed to inclusive solution) : when a problem is identified it is dismantled into factors and each factor is transferred to the relevant department to be solved. Kanter (1984) calls these organizations "slicing" due to the slicing of the problem into the relevant departments. She claims that this way hardly any effort is made towards integrative solution and

mostly the result would be far from innovation. That is why Kanter argues that becoming acquainted with new products, technologies, ideas or practices is best expressed in the "integrative" organizations than in the "slicing" ones while being cautious about complacency which is the first cause of poor performances (Kanter, 1984; Burns & Stakler, 1994).

In order for organization to become "integrative" Kanter (1984) believes that it must develop three groups of skills among its managers which may be condensed as follows:

- A. Skills to persuade people to invest time and resources in new entrepreneurships (even ones bound by undertaking risks).
- B. Skills in managing problems, conflicts and disputes particularly ones instigated due to teamwork.
- C. Skills for understanding how a change is managed, shaped and assimilated in the organization.

Similarly to the research by Kanter (1984) Peters and Waterman (1982) also conducted a research which attempted to dwell on other mutual characteristics for the successful innovation organizations which Kanter (1984) defined as "integrative". Their research consolidated a collection of 8 traits of excellence which were viewed recurrently in organic, integrative and innovative organizations: (1) the inclination to act (2) focusing on the customer (3) internal autonomy (4) intensification of employees (5) commitment to basic values (6) adherence to the expertise area of the organization (7) simple structure and (8) decrease of control. Kay and William (1993) also identified these weight excellence traits and added and explained that the key to durable and continuous innovation, as competitive advantage in the course of time, is latent in the organization's "architecture": the informal structures, response speed and free passage for information are parts of it. According to Kay and William (1993) the managers should be able to defend, dare and encourage innovation and to enable the individuals in the organization to make special time for the identification of resources and to turn ideas into implementation.

The findings from the research by Kay and William (1993) differ from those similar to it regarding the importance ascribed within this context to reputation while positive connection was found between reputation of organizations and their ability to

innovate; their explanation to that finding is that innovative ideas of organizations with good reputation have greater chances to succeed.

Intensive inquiry of different strategies to the search of innovation has led to the development of the concept "width and depth" as one defining two components of openness in organization to search for innovation: width search and depth search. That search and the measure of its "depth" and "width" was found to be positively and directly connected with the performances of innovations in the organization. It seems that quite often it is the factor that causes the differences and the various levels of originality and performance of innovation among the different organizations (Salter, 2004; Laursen & Salter, 2004). The search is important for the performances of innovations, more open organizations; for those searching in wide and deep form and those inclined to be more innovative. Nevertheless it has been found that over-openness may have negative repercussions on the performances of innovations. That finding points out the existence of a point in which the search for innovation turns into inefficient one.

#### **2.4.6 Innovation and market orientation**

The part of the market orientation in the different innovation researches became more and more meaningful (Day, 1994; Webster, 1994). Findings about its projections on the measure of organizational innovation were repeated in many researches (Deng & Dart, 1994; Narver & Slater, 1990; Ruekert, 1992; Jaworski & Kohli, 1993; Lambin, 1996). Still, Despite the many findings, the reason are neither absolutely clear nor explains how in fact it happens. The researcher believes that there is need for additional researches about that area (Deshpande, et al., 1993). Aiming to bridge over that gap, two research approaches were developed; one focuses on the projections of the market orientations on the innovation of the organization while the other focuses more on innovation and relationship marketing while emphasizing the part of the customer in organization innovation and its impacts on him.

Among the flow of researchers following the first approach, it is possible to identify consensus about the connection between market orientation of the organization and its innovation: the more the organization is regulated at the market in which it operates thus its innovation is enhanced (Atuahene-Gima, 1995; Lukas & Ferrell, 2000; Han et

al., 1998). The researcher believes that this finding may be explained – among other reasons- by the theory of the open innovation (Chesbrough, 2003); the more the organization is aimed at the market (high marketing orientation) thus it better learns the powers operating in the market, comes in touch with them and may develop with them greater reciprocal relations and collaborations. These will yield greater innovation. Within this context Calantone et al., (1994) should be pointed out as the ones who found insignificant empiric connection between the innovation measure and the success of the innovation; they deduced from it that both phenomena differ regarding their essence: increase in the innovation rate (the measure of organizational innovation) does not necessarily insinuate the success of the innovation of- to name one example- new products.

Regarding the second research approach, most of the researchers (Webb et al., 2000; Steinman, Deshpande & Farley 2000; Baker et al., 1999) found positive connection between the relationship marketing (defined as satisfaction of the customer's needs in a manner that is better than that of the competitors while perceiving the customer through the concepts of long term relationship, Steinman, Deshpande & Farley 2000) and innovation: the more the level of the organization's relationship marketing was higher thus the level of innovation found in it was higher and vice versa- the more the organization is innovative thus it was found to encourage relationship marketing to greater extent. These organizations are inclined for long range systems with their customers. This is caused among other things through their innovation that enhances the loyalty of their customers thus lengthening the life-expectancy of the relationship with them (Terrence & Tellefsen, 2003; Lado & Mayedo-Olivares, 2001; Wolf, 2003; Callan et al., 1995).

The goal of the relationship marketing is the enhancement of customers' loyalty and the innovation is one of the tools for gaining that (Lado & Mayedo-Olivares, 2001). That connection exists also in the opposite direction: Cooper (1998) argues that the qualitative and tight relationship with the customers (as product of relations marketing) provides the organization with ample, valuable information for the development of new products. That argument gains ample support by other researches (Deshpande, et al., 1993; Gatignon & Xuered, 1997; Rumelt et al., 1994; Hart, 1996; Sampson, 1998) who emphasize that the importance of that fact is even greater in the

service sector. Atuahene-Gima (1995) claims that in the services sector too the success of innovation depends very much on the market's intentness to the organization; the ability of the organization to connect consistently to the wishes and needs of the customers as well as the ability to respond to them in a good and worthy manner-constitute the key to the success of the innovation in the services sectors. Moreover, the market environment in the services sector is usually more competitive in terms of "innovation of products" than in other sectors and industries. Innovation in services may be more easily and faster imitated and it is much harder to defend by registering a patent to name one example. That is why in that sector, creation of continuous value for the customer as well as existing competitive advantage oblige perpetual innovation as the organization's competitive strategy on its way to establish systems of long-terms relationships based on loyalty with the customers (Aranda & Fernandez, 2002; Amable & Palombarini, 1998; Martin & Horn, 1993; Sirilli and Evangelista, 1998; Fitzsimmons & Fitzsimmons, 1998; Haksever et al., 2000; Norman, 1991; Gallouj & Weinstein, 1997; Miles, 2003; Miles et al., 1995b; Buzzachi, et al., 1995; Voss et al., 1998).

It can be argued that this insight might be true for any organization – every organization wishes it could constantly offer an added value to its customers, and by that establish a long-term relationship with them. This research argues that concerning service providers, where service is not a complementary attribute but rather the "good" itself, differentiating, positively appealing and constantly evolving are the key factors influencing customers' attitudes and hence purchase intentions.

#### **2.4.7 Innovation, market leadership and purchase intentions**

Adoption and developing of new technologies by the companies and their implementation through the development of new products and services aimed for the customers of these companies and also creation of new production and distribution methods serve as basic competitive advantage (Leydesdorff, 2002). Many companies are making efforts to update their customers about their technological innovation and thus form advantage over other companies in terms of purchase intentions (Liao & Chiang, 2005).

Liao and Chiang (2005) and Schreb (2004) emphasize the importance of technological innovation and the customers' awareness of it. In fields like Hi-Tech, cars,

communication and similar ones who are found within conditions of intensive competitions, special importance is discerned for their technological innovation. Infiltration of new technologies into the production process as well as its marketing may grant meaningful competitive advantage to the renewed organization. According to Titus (2004) innovation of technology enables the company to gain control over many market segments, to establish new industrial standard based on new technology, gain preferred reputation, define business strategy for the leadership of the market and enlarge customers' bases and improvement in economic performances. This is where the issue of consumer awareness enters the scene. Alongside its many advantages, the technological innovation may be expensive and dangerous. It is not always expressed through increase of profits and it almost never happens within the short range. Alongside Microsoft and Apple who turned technological innovation into a winning strategy and the formula for their success it is possible to find many companies in the market who failed in gaining competitive advantage through technological innovation. Moreover: the success of one technology generation does not ensure the success of other generations or other technologies of the same company (Leyedesdorff, 2002). Technological innovation combines within it successful development and marketing of new technology. In today's markets the development of new technology is not the guarantee for achieving market leadership in terms of sales scope or profitability; for example the Xerox Company registered in its favor many technological innovations which were rejected by the market and did not grant that company any marketing advantage nor turned it into the leader of the market. As opposed to it, Microsoft did succeed in development as well as the marketing of innovative state of the art software while establishing itself as marketing leader (Fri, 2003; Leyedesdorff, 2002). Marketing of cellular phones to young people and adolescents is done- among others- through enhancement of the awareness to the advantages of the cellular life style meaning, lifestyle that combines the use of cellular phones and their various functions (Bigne et al., 2005).

Technological innovation and marketing leadership are two different characteristics that together form the image of a company as one that is innovative and leading in its area. Success in one of these areas does not ensure success in the other area. Even though technological innovation may be the major factor that shapes the marketing leaderships still it is not the only factor. The marketing leadership depends on the

efficient positioning through publicity, management, control of the distribution channels and building an efficient organization. For example, even though IBM was not the pioneer in the industry of personal computers it did manage to establish itself as leader of the market. IBM acted as mediator and made contacts with external suppliers to purchase the major components. Thus, IBM is the successful integration of efficient marketing and modern service organization more than technological pioneer. The efficient strategy of IBM has brought it the leading status despite the severe crisis it went through (Cooley et al., 2004).

Technological innovation that combines creativity with strong marketing intuition may turn into a lever that transforms the innovated company into a pioneer in its field; into a market leader and one with competitive advantage. Technological innovation has ample importance in fields opulent with technology such as the communication and telecommunication branches in which it serves as one of the major criteria for product evaluation. However, adoption of new technologies also contains risks within it which are bound by the possibility that the innovation will not manage to penetrate the market. It has also been argued that the innovative companies do manage to gain competitive advantage through the advantages of primary strategies and manage to keep the large market share in the future even after the additional companies enter that branch. These companies can accumulate competitive advantage in the form of loyal customers who are not at all inclined to try the products of the competitors but mainly the product of the company which they perceive as innovative and attractive (Engelland & Alford, 2000). Sometimes the pioneers in innovation manage to bring out technologies into the market while their exchange by technology consumers of competitive technology is too expensive for them to do it without entire totality of justified reasons. As result of that the adjoining companies are required to offer the target audience meaningful discount on their price and then they find themselves in advance in disadvantage point that stems from the low profit margins (Cottrell & Sick, 2002).

#### **2.4.8 Innovation in service**

Innovation in service may be expressed through new service (product innovation), change and development of the process for service provision (process innovation) and change inside the organization (organization innovation) (Schneider, 1999).

Innovation in service is connected with the new development of the core capabilities of the service providing company whose aim is to magnify the output, efficacy and sales turnover. These are expressed through a line of service branches such as financial services, credit cards, insurance, distribution, shipments, medicine and so on. Gardrey et al., (1995) characterized innovation in service as innovation of the process and organizational innovation for the existing service. Innovation in service may be described also as new development of service activities aimed to improve attractiveness to the customer.

Innovation in service is expressed through new kind or new character of service which the organization grants its customer. The books' site on the internet "Amazon" is one example for innovative revolution in the service concept of a book store. Innovation in processes is expressed through the ability of the organization to turn its processes into more efficient ones on a level that would enable it to grant a product/process that has competitive quality or price. The American shopping net "Wall Mart" is famous for its process innovation which has become part of its phenomenal success since it enabled the net to offer its products for "marketing breaking" prices (Christensen et al., 2003).

Most innovation researches are focused on the technological innovation in production thus reflecting the fact that the innovation theory emerged when the manufacturing constituted the major economic activity (Drejer, 2002). Researches about service innovation developed at relatively early stages with the growth of service areas that started mainly in the USA in the 1950's, while perceiving service as separate activity. The next stage in the research focused on the integration of the approaches in the joint research area under innovation while the area included learning and classification of knowledge in service. That may bridge between innovation in service and in production instead of enlarging the gap between these areas. At this stage there is still no consolidated approach about innovation as one totality and the research about innovation refers to each area separately.

There are different approaches for the analysis of innovation in service and some claim that it is possible to implement through innovation in production (Coombs & Miles, 2000):

I. The assimilation approach- referring to service as to production.

- II. Demarcation approach- in which the innovation in service is different than the innovation in production.
- III. The synthesis approach- according to which innovation in service is relevant for production as though it were another kind of service.

Gallowj and Weinstein (1997) developed the synthesis approach which is implemented in technological innovation as well as in innovation that is not technological. Their model represents a product or service as components of the system; the technical characteristics and the final characteristics in which innovation changes one of them. That approach enables vast perspective of innovation just as the demarcation approach presents for the innovation area in service. Preissl (2000) identified an area of unique factors for service provision and she claimed that new boundaries should be positioned which cross services and production according to the dynamics in innovation because some of the services are more similar to the production industry than to other services.

Drejer (2002) describes various levels of innovation in service:

- I. Innovation in the area of expertise which includes location of new needs, reaction to them and opening new markets.
- II. Innovation that stems from foreign-connections with economic impacts yet ones difficult to measure.
- III. Innovation in the formalization which is hard to conceptualize and belongs to the location of new market products or new production ways.
- IV. Independent service researches as ad-hoc innovation.

Oke (2007) describes the various kinds of innovation in service as well as the impact level of their innovation in the different sectors. He characterizes "service product innovation" as one that belongs to the new developments of the service product aimed to improve the financial state of the firm as well as the efficacy of its customers.

Ark et al., (2003) describes the innovation in the service through the 4 dimensions model. According to this method the innovation in service has many multifarious characteristics including both technological and non-technological dimensions as follows:

- I. The first dimension is "new service concept" – this dimension is nurtured by the knowledge sources about the characteristics of existing and competitive services (Business intelligence).
- II. The second dimension is "new client interface"- this dimension connects with the first one through the marketing of which the source of knowledge is the characteristic of exiting and potential customers.
- III. The third dimension is "new service delivery System" - it is constructed from the abilities, skills and existing positions (Human Resources Management). The first dimension is connected to this dimension through the organizational development and the second dimension is connected to this dimension through distribution.
- IV. The fourth dimension is "technologies options"- all previous three dimension are connected through the macro view of the innovation in service and productivity in which the innovation is characterized as a system that includes input (human, ICT knowledge and non-ICT knowledge) and output (productivity and profitability, quality, customer value and spillover) and among them are the organizational capital from the organization's point of view, human resources and marketing. That way it is possible to compare between the different service organizations, industry vs. services, sectorial comparison and countries.

Innovation in service required suitable organizational climate and environment. The innovation is a means of coping with competition but on ample concentration level for on a lower concentration level it is less prevalent since the knowledge diffusion is small and makes it hard for innovation (Ark et al., 2003). These researchers acknowledge the importance of innovation in service and feel the need to create a framework for advancement of innovation in service on local and on national levels.

According to Kupper (2001) there are 4 dimensions for innovation in service which are connected, to a great extent- with the dimensions of service in general:

- I. The service suggestion that depends on the ability of an expert person.
- II. High level of intangibility in the service.
- III. The need to synchronize the connection between consumer and service supplier.

#### IV. Integration of external supplier.

Innovation in service is perceived as the result of change process in the immaterial product; innovation may be expressed through a new product, change in development of services processes and change in the concoction of the organization's services. Change processes are given to quick imitation; in the services sector there is little research and development relatively to the productive sector but on the other hand the organizational problems are more intricate.

Formalization innovation is acknowledged as the heterogeneous kind of innovation whose goal is to see the service as "material" product (Gallouj and Weinstein, 1997; Gallouj, 2002) meaning putting order in the characteristics of innovation and defining them in concrete and safe manner. The formulation process may belong to "service solutions" which is connected with the service strategies (Limonene, 2002)

Thether and Metcalfe (2003) discuss the issue of innovation in service through supplier/customer interaction point of view. They claim that innovation in service connects with external subjects such as opportunity or threat more than the sectorial characteristics. Since the opportunities or the threats are dynamic and change from time to time the service innovation, which is connected with these developments also needs to change constantly in order to provide swift response to the change trends in the markets.

For the sake of this research the concept of innovation will be as in Hurley and Hult (1998) which defined it as the measure in which the organization adopts and implements ideas in new processes and services.

In spite of the above, one can still question the magnitude of the role innovation play in the success of an organization and more importantly whether innovation might serve differently and mayhem growth and success.

#### **2.4.9 Failure and success of innovation**

The major component in the success of innovation is the human component. Without understanding the intricacy of innovation management implementation success will be limited (Kezsbom, 2001).

Findings from many researches show that the most salient obstruction that employees are facing is the lack of techniques for innovation and creativity (or the lack of experience in using them). Managers also suffer from the difficulty to develop innovation and creativity due to lack of techniques but in that population the difficulty caused by the personality structure is even worse. Apparently working on creative techniques combined with framework that enable overcoming resistances of managers that stem through organizational culture, may cause essential change in the organizations interested in such change (Kezsbom, 2001). Workshops about innovation, encouragement of creativity, openness to change, teamwork and social encounters are examples for additional tools that may help the organization to successfully assimilate organizational culture of innovation.

One of the causes for failure of innovation is linked with the understanding that innovation is a process and not a one-time event. Primary failures in innovation may lead to learning and to the innovation process that will be more successful in the future provided they don't slay the process "while it is still young". It is important to plan the innovation as a process, to analyze past failures and learn from them in order to enable successes in the future (Martins & Terblanche, 2003).

Another problem that should be overcome and which often characterizes innovative people is the difficulty to integrate within existing frameworks of the organization. The organization must dedicate attention and thinking as to how to integrate creative people efficiently to the organization and the innovation process that takes place in it.

The reaction of the management to stimulation or creative ideas is most important. In many cases it is possible to distinguish between characteristic patterns that oppress innovation in the organization. The first is the direct resistance, using various arguments against the actual innovative idea. The second pattern is ignorance or lack of meaningful support by the senior management. The management interested to encourage innovation should offer active support of copywriters or entrepreneurs or lead the process by itself.

One of the major reasons for the differences between successful technological innovations and the innovations that failed is the customers' awareness of the

innovation (Wilska, 2003). The company's success in adopting the strategy of technological innovation requires understanding its uniqueness, its possible results (profits and risks), the premises it requires and the managerial actions and processes that turn adoption of new technologies into competitive advantage. In order for the technological innovation to succeed the managers must be meticulous about enlarging the awareness towards the advantages of the innovation among their customers (Leydesdorff, 2002; Titus, 2004).

In summary, innovation is considered to be a key factor in today's ever changing environment. Although its intuitive association is with invention or technical progress, it is now a widely held that innovation holds for more compound and intangible aspects of organizational development and competitiveness.

For the most part, innovation is considered to be a mutual outcome of both workers and organizational skills and management vision, and as such can be managed, and more importantly enhanced.

As such, innovation serves in fact as a resource, both in production and in service organizations, but its main contribution to commercial success is by incorporating standard procedures, skills and data into valuable and distinct commercial advantages, and why it is often associated with the concept of knowledge.

For the sake of this research the concept of innovation will be as in Hurley and Hult (1998) which defined it as the measure in which the organization adopts and implements ideas in new processes and services.

## **2.5 Perceived service value**

### **2.5.1 Defining the value for the customer**

Weighing of trade-off is probably the major way for understand the term "value for customer" (Flint et al., 1997). This term refers to the utilities the customer gains through the costs he pays in exchange for their purchasing while the value is supposed to reflect balance perception of the customer between that which he received as opposed to that which he sacrificed. If the balance is breached then negative value is formed. Managers should know it when they build the value model of their customers (Zeithaml, 1988; Ulaga & Chacour, 2001; Anderson & Narus, 1998; Ravald & Gronroos, 1996).

The intricacy of the issue has increased due to the fact that the different customers have different perceptions and not a uniform one about the value they gain, even in cases when the firm grants all precisely the same offer. (Zeithaml, 1988; Woodruff, 1997; Flint et al., 1997). The sharp competition in the markets which is fertilized by different value offers from competitors constantly causes customers to compare between the various suggestions. Finally the customer chooses the offer which, in their opinion, has the highest value (Ulaga & Chacour, 2001; Anderson & Narus, 1998). Many researches on the subject of value for the customer, handle the issues connected with the product and less so issues that are important for the perception of the customer's value (Ulaga, 2003). Anderson & Narus (1998) estimate value in business markets as perception of worth through monetary economic units that reflect economic, technical, service and firm utility which are received by the business customer at the transformation of the payment on behalf of the acquisition of the product or the services while the customer considers the alternative suggestions.

Butz & Goodstein (1996) see the value for the customer as a package of emotional connection that is transferred to him by the supplier. Success in such transference of value leads to repeated purchases and to the building of a long term relationship. Ravald & Gronroos (1996) estimate that creating solid relationships with the customers form among the customers emotional connection that increase the level of abandonment blocks. Customers are taking that into consideration when they are exposed to attractive suggestions that lead them to consider business alternatives.

Within this context the researchers prefer using the term "total episode value" which reflects the value and the relationships instead of "customer value" only.

Both Butz & Goodstein (1996) and Ravald & Gronroos (1996) offer a broader insight of the concept of "customer value". Both claim that this "value" is not an isolated event and thus should be examined with perspective to other similar events. However, while Butz & Goodstein (1996) presume the event is relative to a (long-term) continuum of repeated purchases Ravald & Gronroos (1996) presume the event serves as a benchmark for future similar events. These researchers set the grounds for distinguishing between customer value and relationship value.

Woodruff (1997) defines two kinds of values for the customer: desired value and received value. The desired value relates to the specific and measurable preferences of the customer such as: traits, performances, shape, quality and others which are connected with the unique needs of the customers within different acquisition

circumstances. Fredericks & Salter (1995) & Gronroos (1996) define value for the customer as a package including price, quality of the product, and quality of service, innovation and the customer's perception of value with relation to the competition.

### **2.5.2 Adding value to the firm**

There are other dimensions of value which according to Shaw (2007) constitute key factors for future expansion of the firm:

- I. Extrapolated value: reflecting the additional business turnover that the customer will continue holding with the firm in the long range. Extrapolated value is what many businesses aim at when they talk about loyalty to customers; the behavioral readiness of the customer to come back and purchase even if at times it is uncomfortable.
- II. Incremental value: reflecting the addition business turnover the customer will continue having with the firm regarding the dimensions of transaction size as opposed to the past. The higher the loyalty of the customer thus the size of the transactions should be increased too.
- III. Strategic value: reflecting the addition business turnover the customer will continue having with the firm regarding products or additional services. That value is reflected through crossed sales, the success in expanding the brand and so on.
- IV. Social network value: reflecting the addition business turnover that stems through word of mouth recommendations by satisfied customers. These positive recommendations gain ample acceleration through viral market, company nets on the internet and in general.

### **2.5.3 Perception of value**

Chang and Tu (2005) and Yi & La (2004) suggested general reference that unites all the specific factors that compose the value while the customer, first and foremost wishes to transfer the value they get. Customers wishing to purchase specific product or service scan the possibilities before them and develop a system of considerations. Within that system of considerations they develop hierarchy of products or services based on the value perception of the different transactions. The value perception is based on the quality of the product, its innovation, its prestige and many other factors that the customer deems as important. Later on the customer estimates the difference between the acquired value and the perceived waiving and chooses the product or

service that provides the maximal positive difference. The evaluation of potential risks bound by purchasing or consuming the product is also found in the value equation. Predication of value is very much based on the customer's evaluation of the price fairness or rentability. Kukar-Kinney (2005) argues that consumers perceive purchase as worthwhile and valuable when the utility they gain from the product or the service is relative to their early expectations and has a reasonable cost. The research by Kukar-Kinney that dealt with the inclination to ask for refund on behalf of purchasing products through the internet led to the conclusion that the request for refund usually represents the result of value comparison done after the purchase when the consumer reached the conclusion that the cost of the fiscal waiving is higher than the utilities acquired by him.

Shaw (2007, p. 97) introduced another approach to the subject of "being evaluated": *"The meaning of being evaluated is to feel that the firm considers the customer. It grants expression to that through the totality of its actions opposite his and these are expressed through personal and special attitude, including all it entails, through high evaluations, solution of problems and suitable price"*.

#### **2.5.4 Value and risk perception**

Christopher (1982) estimates the utility that customers get through the examination of two dimensions: the tangible dimension and the intangible dimension. The perceived cost is examined by him in terms of purchase prices and the perceived risk.

Rimal (2005), related to the subject of risks and their weight, when making purchasing decisions, through her research which dealt with bio-technology in agriculture. Her conclusions were that the customers may avoid buying food that is manufactured through the use of innovative technologies because they don't know just how many these products are safe. The perception of high risk decreased the overall value. Weighing the possible developments following the purchase within the totality of all considerations on which the purchase decision is made, was also mentioned by Kukar-Kinney (2005); she claimed that the consumers prefer buying at businesses that assure them immediate refund upon the customer's demand and they ascribe to these businesses much higher value because the risk in purchasing and its results is lower.

### **2.5.5 Value dimensions and emotion**

In the circle of life's cycle loyalty conflicts may pop up as well as comparisons between the suggested values by one supplier as opposed to their competition. Positive solution of the conflict is based on the analysis of the value that refers to the costs/utilities ratio for the customer which is experienced by the customer and compared to the same ratio suggested by the competitors. If the ratio provided by the supplier is perceived as higher than that of the competition, does not include exchange costs (transition) and emotional dimensions are combined within the utility given to the customer then he becomes emotionally loyal. Otherwise his loyalty would be explained through exchange costs only (false loyalty).

Emotional loyalty was identified by Costabile & Paull (2001); Lemon et al., (2001) and Costabile (2000). Costabile et al., (2003) defined emotional loyalty as strong trust in the ability of the supplier to provide the demands of the customer in the course of time while always offering the highest value. That belief does not only deal with the evaluations of utility and costs but also with expectations for the future, for future satisfaction of the demands and expectations on the best possible level. Calabro (2005); Ritson (2004); Favilla (2004) and Costabile et al., (2003) explain that the emotionally loyal customer, develops strong and steadfast relationship with the company; thus it is probable to assume that such customer would speak well about the company and will not be inclined to exchange it by another supplier.

That stage of emotional loyalty gained consensus among the researchers (Calabro, 2005; Ritson, 2004; Favilla, 2004 ; Costabile, 2000; Costabile et al., 2003) as the outcome of earlier processes that begin with the consolidation of satisfaction based on positive past experiences. That satisfaction forms satisfaction, forms trust as the basis for the development of the relationship.

Sheth et al., (1991) characterized five different value dimensions out of which at least two are linked with emotional value:

- I. Functional value: this connects with the perception of the performances or the utilities that stem through ownership of the product or service. The focus on this value is on the external traits of the product/ service.
- II. Epistemic value: focuses on the benefits the customer will gain through the value suggestion of the supplier. This value focuses mainly on the professional

services that specialize in the improvement of the skills or knowledge of the business customer.

- III. Emotional value: focuses on the benefits for the customer stemming through the enhancements of his sensations and/or his emotional state.
- IV. Social value: represents benefits drawn through personal or group interactions which together with the emotional value intensify the linkage and the connection with the service provider.
- V. Image: represents benefits that stem through the contact with business partner who enjoys senior position in the market and is related to the reputation.

Shaw (2007) established that most of the organizations measure only the physical aspects of the customer's experience such as price, availability of products, width of the products' category, physical dimension of the business, various physical evidences and so on.

He identified four clusters that either lead or destroy the value for the customer. That research proved that there is connection between the customer's sensation of feeling and the firm's sales turnover. The four clusters are:

- I. Destroying: the cluster that destroys the value for the customer reflects moments of truth that create negative feelings stemming from an organization that is not focused on his customer which projects on the quality of the contacts and the service level which usually is a low one.
- II. Attention: this cluster includes feelings that are quite positive and which the organization uses in order to draw in customers. These emotions encourage customers to examine the suggestion of the organization and it has positive impact only on the short range. Gaining attention for the long range requires more than that.
- III. Recommendation: this cluster forms emotional basis towards the building of loyalty. It includes basic human feelings such as respect, concern and trust. It is reflected through positive word of mouth but only if the customer is asked about it. The customer will not be inclined to recommend the company voluntarily.
- IV. Advocacy: this cluster is found on the way up the pyramid of value and contains two emotions only: happiness and pleasure. The organization that manages to create these feelings for a longtime reaps positive fruits in the

form of high customer loyalty and customers who are good will ambassadors for the organization who are doing it willingly without the need to get incentives of any kind.

## **2.6 Customer affective commitment**

### **2.6.1 Definition of commitment and its advantages**

Moorman, Zaltman, & Deshpande (1992) define commitment as approach reflecting the ambition to preserve relationship that adds value to both the customers and the firm.

Morgan and Hunt (1994) define commitment as continuous ambition to preserve the relationship. Their definition is quite similar to that of Wetzels et al., (2000) and Dwyer et al., (1987) who see the commitment of customers as an approach reflecting continuous ambition to preserve the relationship between the firm and its customers.

Gruen (1995) defines commitment as long range relationship of the buyer with the seller which is built upon the ambition of the buyer for stability and the receipt of continuous utility.

Commitment is also defined as the continuous and long-range inclination of the customer to establish a relationship with the supplier which is based on a package of emotional connections (affective aspect) while believing that these relations will contribute benefits to him (cognitive aspect). Just as in human relationship, here too the fruitfulness of the relations requires investment and reciprocity (Brown et al., 1995; Gundlach et al., 1995).

Dick & Basu (1994) determined that the more the commitment is stronger thus the customer will try to overcome obstacles in his relationship with the seller. The results of that strong commitment are expressed through loyalty.

In a similar manner Beatty et al., (1988) also indicates that commitment and loyalty are interwoven subjects while high level of commitment leads to loyalty.

### **2.6.2 Three component model of consumer commitment**

Allen & Meyer (1990) and Meyer & Allen (1997) developed the three different components model of commitment:

- I. Affective commitment- reflecting the wish to preserve the relations based on emotional connection.

- II. Continuance commitment- reflecting the wish to preserve the relations due to defection cost on the one hand and the advantages embodied in economic, social or psychological costs on the other hand.
- III. Normative commitment- reflecting the wish to preserve the relations due to thinking about that which is morally worthy.

Gilliland & Bello (2002) indicate within this context that retention of customers is very much based on calculative commitment (which is very similar to continuance commitment) which, as explained above, represents the rational approach for the retention of customers. The product of the approach is reflected through the way in which the parties perceive the conversion rate received through the relations. Positive conversion attitude based on high utilities (fiscal, emotional or operational) relatively to the costs fertilizes the relations and also impacts in terms of past costs (Geyskens et al., 1996).

Two important reasons are taken into consideration when one calculates the commitment with all its components: to begin with there is proof in literature (Meyer et al., 2002) about the connection between the kind of commitment and the firm's sales turnover. Secondly there is a possibility that the basis of the commitment based on feelings (affective commitment) may tend towards the behavior at the basis of which there is the commitment to preserve the relationship (normative commitment) or in the direction of preventing costs (continuance commitment) (Meyer & Herscovitch, 2001). It has been found that the diversity of commitment as well as the value of any other dimension changes meaningfully as time goes by or due to circumstances (Young & Denize, 1995).

There is dispute among the researchers regarding their perception of the subject as well as regarding the nature of the dimensions. Some researchers (Gundlach et al., (1995); Wetzels et al., (2000) and Gruen et al., ( 2000) believe that commitment is a multi-dimensional perception mainly when it concerns inter-business relations (excluding private consumers) as opposed to others- Morgan & Hunt (1994); Hennig-Thurau et al., (2002); Pritchard et al., (1999) and Sharma & Patterson (2000) who claim that commitment is one-sided and in addition they believe that commitment is an important mediating variable due to its impact on defection intentions.

Measuring of the three commitment dimensions was developed by Allen and Meyer (1990) and Meyer, Allen & Smith (1993).

### **2.6.3 The advantages of affective commitment**

Geyskens (1998, p. 50) points out that: *"the use of global commitment dimension that measures intention for continuation of relationships without reference to the competition, may cause confusion and lead to the result with the opposite of the expected one"*. Accordingly Harison-Walker (2001) points out that there is importance in focusing on "affective commitment" that focuses on the pleasure formed by that relationship about which it has been proven that its significance in the success of the connection to belonging and loyalty are far greater than other kinds of commitment can achieve.

High level of commitment exists when the rational dimension (net benefits) are added to the emotional dimensions.

De Ruyter, Moorman, and Lemmink (2001, p. 271) argue that *"...particularly affective commitment plays an important role in relationship"*.

Meyer & Allen (1997) determine that regarding other components of commitment the "affective commitment" is most probably the commitment with the most utility for the organization.

Bloemer et al., (2003) characterized affective commitment as the major factor that motivates customers to recommend the product/service to their friends (word of mouth) which energizes their purchase intentions and decreases their sensitivity to the price.

These assertions led the researcher towards the decision to use affective commitment as the variable in the model of this research.

## **2.7 Customer loyalty**

### **2.7.1 The importance of customer loyalty**

Researches point out many advantages, which the company gains as result of the customers' loyalty. Customers' loyalty is the major factor that impacts the profitability and growth of companies (Javalgi et al, 1997). Not only the loyal customers enhance the profitability of the company but they also cover the cost of treating the less loyal customers (Heskett et al., 1994). Increase of 5% in the number of loyal customers leads to approximate 75% growth of the company's value (Lee et al., 2003). The more

loyal customers spend more on the products and services of the organization to which they are loyal and they encourage others to purchase from the organization and believe that the product they are purchasing is worth the price they are paying for it (Hirvelä, Fecikova & Takala, 2004). The loyal customers are inclined to purchase through various purchase channels (traditional ones and on the internet) which enhances their acquisitions and decreases the marketing expenses (Duffy, 2003).

### **2.7.2 Customers loyalty- definitions and approaches**

According to Marney (2001) and Fader et al., (2005) customers' loyalty is the individual's behavior based on repeated acquisitions of the same product/service within certain category compared to his total acquisitions in the same category.

There is no consensus among the researchers (Uncles et al., 2003) about the definition of customers' loyalty while, as a rule, it is possible to discern three major approaches:

- I. Loyalty as a position that forms connection with the product. True loyalty can exist only when there is positional commitment towards the product or service which is expressed through positive positions and perceptions about the product/service. That approach is backed-up by empiric findings by Ahluwalia et al., (2000) according to which the customers with position loyalty are less affected by information transferred to them by competitive factors about the product or service they are loyal to. According to that approach (Oliver, 1999) loyalty would be defined as profound commitment of a customer to purchase again the product /service consistently in the future despite situational impacts and the marketing efforts that may cause him to change his behavior.
- II. The loyalty is expressed in terms of behavior. That approach refers to the characteristics of the purchase in the past and only then to the motivation and commitment of the customer to the product. Within that framework loyalty would be defined as the measure through which the customer intends to purchase again from the supplier who formed for him a certain level of satisfaction (Law & Zhao, 2004).
- III. The third approach connects between the two previous approaches claiming that it is impossible to separate them because loyalty is affected by the connection between positions and behavior and loyalty is a multifarious factor that includes positive and negative reactions (Beerli et al., 2004; Zeithaml et al., 1996). Within this framework Jacoby & Chestnut (1978 in Geva, 1994)

defined loyalty as biased behavioral reaction about a product/service, in the course of time and that it is a function of psychological processes.

Even if there is no consensus among the researchers as to the correct definition of customers loyalty it is possible to point at three major components which are common almost among all the approaches (Uncles et al., 2003):

- I. Loyalty is first and foremost the leading position towards connection with the product.
- II. Loyalty is expressed mainly through open behavior (past consuming characteristics).
- III. The purchase is impacted by the characteristics of customer, circumstances and/or purchase conditions.

There are several grades of loyalty (Oliver, 1997):

- I. Cognitive loyalty: in it the customers continue buying from a certain organization due to various reasons such as low prices and good service. However, that loyalty is not strong enough and may change once the competitive company offers cheaper price or better service.
- II. Emotional loyalty: a number of cognitive processes leading to emotional decisions. That loyalty is stronger than the cognitive one since it also includes positive positions towards the company and later on also satisfaction. Since at this stage emotion is involved too, that is why the suggestions of a competitive company will not necessarily impact that customer.
- III. The third stage is that of willingness loyalty: at that stage the customer has obligation to purchase and he is characterized by repeated purchasing and recommendations to others to purchase too.

Another approach distinguishes between two kinds of additional loyalties (Rajshekhar et al., 1997):

- I. Latent loyalty: when the customer does not perform repeated purchase even though he does prefer the service provider due to situational or environmental reasons.
- II. False loyalty: when the purchase is performed due to past experience or out of habit while the customer finds it hard to change the service provider. That is to

say that the purchase is not done according to distinction between the qualities of services rendered to the customer.

Apparently this division is different from the two previous ones since it distinguishes between two kinds of loyalties that are parallel to the stage of cognitive loyalty as per Oliver (1997) or loyalty based on inertia as per Beerli et al., (2004) and it does not relate to the positive expressions of loyalty to be differentiated from true loyalty.

Marney (2001) distinguishes between four kinds of loyalty:

- I. Perceptive loyalty- based on total commitment to the particular product/service.
- II. Functional loyalty- when the product/service has some key performance traits that no other product/service can provide.
- III. Comfort loyalty- stems from the ample convenience in purchasing familiar product.
- IV. No-choice loyalty- loyalty that stems from the fact that there are no alternatives.

On that matter, Marney (2001) emphasizes that "true loyal" customers are not motivated by price and their loyalty is not hurt if the competition suggest a lower price which is why distinction should be made between repeated purchasing behavior and the true, emotional loyalty. This model is quite similar to that of Oliver (1997) which emphasizes the multi-dimensional face of customers' loyalty.

It is possible to find other approaches to the kinds of loyalties which contrary to the model by Oliver (1997) relate to the kinds of loyalties as not dependent on each other.

Beerli et al., (2004) for example distinguishes between two kinds of loyalties:

- I. Loyalty based on inertia in which the customer continues to buy the same product/service out of habit or due to the low costs bound by continued consumption of the same product/service. Similarly to cognitive loyalty in this case the customer will not hesitate to move to another competitive product or service if the circumstances are suitable: comfort, price, etc.
- II. The second kind of loyalty is the true loyalty which reflects cognitive decision to continue buying the same product or service but it has to be escorted by positive position and high commitment level for the product/service.

According to Uncles et al., (2003) it is possible to identify three major streams of approaches to loyalty:

- I. The perceptual loyalty approach- which at times leads towards relationship with the organization.
- II. The behavioral loyalty approach- expressed mainly through terms of behavior patterns.
- III. The situational loyalty approach- when the purchase is stipulated by the characteristics of the individual, the circumstances and /or the actual purchase situation.

- i. **The perceptual loyalty approach:** the researcher claims that in order for true loyalty to exist there must be strong commitment perception towards the firm, its products and its services (Foxall & Greenley, 1999; Mellens et al., 1996; Reichheld, 1996; Uncles et al., 2003). Apparently it refers to the totality of positive beliefs towards the purchasing of the firm's products and services. That approach may be measured through the question; how much people declare that they do love the firm's products and services; feel obliged towards them; talk favorably about them with other people and what is the measure of their positive feelings about them- compared to the products of competitive firms (Dick & Basu, 1994). The strength measure of these feelings is the key for predicting the future purchase rates. Oliver (1997, p. 392) said within this context "*as profound commitment to purchase in the future, consistently, a preferred product which leads to recurring purchases of the same product despite the situational impacts and the marketing efforts of the competitor which may cause change behaviors*". In the advertisement area and when the label is an asset this model gains ample support (Aaker, 1996; De Chernatony & Segal-Horn, 2003; Keller, 2003). This approach also applies to the practice of people in advertisement and brand management because it touches the search for strategies to enhance the customer's emotions for the product or service. Walia et al., (2000) proved that loyal customers are less affected by negative information about the product than customers who are not loyal. In addition, the more the brand loyalty is increases that also the ability to predict the rate of profitability through the loyal customers is improved too (Gremmler & Brown, 1999). Expansion of that approach claims that customers are

conducting a kind of relationship with specific products and services. A good example for that is provided by Fournier (1998) who sees loyalty as obliging partnership charged with emotions between customers and products. This is a partnership which will become even stronger once it gains the support of the people surrounding the customer and when the consumption is linked with membership in the community or identification with it (Arnould et al., 2002; McAlexander et al., 2002). Despite the psychological and sociological richness of that approach towards understanding customers' loyalty still its conceptualizations for loyalty are also criticized (Dowling, 2002). It has been argued that this approach is less suitable for understanding cases of purchase with low-risk and low involvement when products are purchased often and through impulsive purchase rather than understanding of decisions that are bound by some kind of risk (Dabholkar et al., 2000). Oliver (1999) pointed out that the area requires use of many additional researches which should support or negate that perspective of customers' loyalty.

- ii. **The behavioral loyalty approach-** according to this model, loyalty is defined as continuous inclination to purchase a brand, usually as one out of some (Ehrenberg, 2004). The argument about this model stems through the definition of loyalty mainly through reference to purchase patterns as these were presented in the past and there was only secondary reference to the factors that motivate the customer or instigate commitment to the brand (Fader & Schmittlein, 1993). Researches led to the consolidation of an anthology of data and information about such purchase patterns along and in width of many years and regarding different product categories and in different countries (Uncles et al., 1994). These testify that very few customers are "monogamous" (100% loyalty) or "deserting" (absolute disloyalty to any brand). Moreover, most of the customers were found to be "polygamous" (loyalty to the products file in specific product category). The consequence of that perspective is that the said researches are inclined to adopt market focusing contrary to focusing on the individual (the key indexes are market penetration, brand share, average frequency of purchase and recurring purchases in the course of defined time). In view of this approach it may be deduced that loyalty occurs through trial and error while at the end, the brand that provides satisfactory experiences is the chosen one. Loyalty to the brand (measured by repeated purchases) is the

result of recurring satisfaction which leads to light commitment. The customer buys the same brand again not due to strong cognitive perceptiveness and not due to profound commitment but simply because it is not worthwhile for him to put more effort and time which for him are great trouble looking for alternatives. If the specific brand is out of stock or simply inaccessible for some reason then another brand which is functionally similar will be purchased (Ehrenberg et al., 2003; East et al., 2001, Ehrenberg, 1998). For the customer there is no justified cause to invest much effort in the reconsideration of alternatives while all of them are satisfactory. However, during the repeated purchases in the same product category, certain commitment is developed towards given number of brands in the category. Despite the ample weight of the empiric proofs still the argument about the approaches continues; there are those supporting the perceptual approach and the approach of "relationships" (customer-organization/brand) and reject outright the behavior patterns as dominant index of loyalty and see them as no more than coincidence as well as their argument that integration of behavior and satisfaction indexes were not sufficiently researched to ensure that there is indeed true loyalty (Arnould et al., 2002; Oliver, 1999).

- iii. **The situational loyalty approach-** the supporters of this model argue that the best way to conceptualize loyalty is through moderation of the connection between approach and behavior through alternative variables such as current circumstances of the individual, characteristic of the individual and even the purchase situation he coped with. According to this approach, the power of the actual brand to predict if indeed its repeated purchase will be possible is very weak (Blackwell et al., 1999). "Circumstances of the individual" include among other things, budget limitations (the brand is too expensive); time pressure (the need to buy each brand from the same category when time is made available in the next opportunity). As opposed to that, the characteristics of the individual are expressed through the need for variety, habits, need for conformity, tolerance measure for risks etc. The repercussions of the purchase situation includes the availability of the products, special sales and discounts given at specific shopping, the destined usage of the purchased product (gift, personal use, familial use) etc.

The researcher is of the opinion that the difference between this approach and the behaviorist approach is in that the situational variables are promoted from the status of the factors that delay loyalty (as in model i) to the status of factors that shape loyalty (as in model iii). That fact is well expressed in the definition of Oliver (1997; 1999) which refers to the traits of the individual and the purchase situation as to "nuisance variables"- those that bother and delay the natural development of customer loyalty while in the model of the alternative approach- the situational one (model iii) these variables are perceived as ones fulfilling a major role in explaining the patterns of purchase behaviors. In this approach the repetition of satisfaction and some commitment together with alternative variables- shape the future choices about specific brand.

Apparently the implementation of the three models in practice is very much differentiated. Thus for example the supporters of the perceptual approach (ii) aim at enhancement of sales by strengthening the affective commitment of the customers for the brands/services. Elevating customers upwards in the "loyalty scale" through the fortification of the image, persuasive advertisement and personal service programs, are common tactics (White & Schneider, 1998; Brown, 2001). Trust programs are also shaped so as to intensify the commitment and link the customer to the brand.

As opposed to that, those supporting the behavioral approach (model ii) suggest that most customers side with the split: loyalty to a basket of brands which are purchased through habit. Within this context they claim that the customers are inclined to perceive advertisement and other kinds of marketing communication more as advertisement aimed to lead towards more continuous awareness than convincing information which very much impacts the change in their perception and change of their commitment levels (Ehrenberg et al., 2000). Thus, even though these customers may participate in loyalty programs still they are less given to the influence of such programs (contrary to the ideas by the supporters of model i - Dowling & Uncles, 1997). Managers adopting this approach try to preserve their share of sales in the category by adapting to the initiatives of their competitors, avoid lack of supply and gain growth through penetration of the market (for example by ensuring more comprehensive distribution). According to these circumstances the managers may

launch loyalty programs through many defense goals on their way to change the perception and behavior of the customers.

Those who support the alternative-situational approach (model iii) adopt a slightly different approach. They express sympathy for the factors that may be perceived as prosaic- such as abstention from extending work hours, adaptation of the offered assortment (for example – providing response for the search of unique uses for the product or search for diversity), operating 24 hours call centers and so on. They also suggest using sales promotion, sales and special discounts to attract the customers from the brands of their competitors. Through that approach, the potential of the loyalty programs is most limited which is why the service or product providers may win greater loyalty by granting direct and specific answer to the situational variables (henceforth: circumstances of the individual, characteristics of the individual and the purchase situation) while the plans for building the image may certainly become an efficient tool for achieving that goal. Nevertheless, many loyalty programs are launched by organizations operating in environment that is characterized by low differentiation of products and services and may be perceived as the successive continuation of the sales promotional plans (Palmer et al., 1997).

For managers, choosing specific theory as a strategy becomes especially important when the competitive brands in the category are functionally similar and the market budgets are insufficiently big to finance the implementation of tactics that emerge through the three different models. However, even when budgets are sufficiently big, there is a need for strategic focusing to enable simultaneously the expansion of the sales basis, advertising encouragement for positive beliefs about the product and tactic sales promotion.

### **2.7.3 Loyalty engines**

In the research by Bhatti et al., (2001) the customers were asked which relative advantages they consider as critical for their loyalty. The answers of the respondents indicated that the traditional factors for building loyalty which are suggested by the organizations are mostly not critical for establishing loyalty. For example and contrary to the claim of Uncles et al., (2003) the answers of the customers in the research by Bhatti et al., (2001) revealed that loyalty programs no longer provide meaningful competitive advantage. They turned into one more cost for the

organization which is bound with the performance of the deal (the purchase). Similarly, only 10% of the customers in that research considered promotion sales as essential and surprisingly, even the price was found out to be critical only for 25% of the customers. Instead, the key loyalty issues that were found were those that reflect the strong connection between the customer and the organization. Few organizational characteristics and traits were identified which form strong contact with the customer and lead to the desired loyalty behaviors while the leading loyalty engines that were found were the following five: (1) team's approach ; (2) withstanding the advertised promises; (3) comfortable return/exchange policy; (4) precise information about the products and (5) reference to the customer as to valuable individual (Bhatty et al., 2001; Andreassen & Lindestad, 1998; Batt & Wilson, 2000; Costabile et al., 2003). These findings were established when the customers were asked what made them change a supplier in the past. Issues linked with the connection and their relationship with the organization, such as lack of appreciation for the customers, lack of integrity and failing service approach by the staff were the most prevalent reasons for disconnecting the connection with the supplier (Bhatty et al., 2001). These findings certainly guide organizations about the question: what should they do in order to create and preserve customers' loyalty. The organizations must strengthen their connection with their customers; grant their relationships with them a significant personal nature whilst persistent protection of professionalism; there should be strong professional connection based on the implementation of the customer's expectations in the long range and thus gain the loyalty of the customer (Ehrenberg et al., 2000) which forms competitive advantage for the organization.

Strong relationship with the customers grants the organization their breathing space even if the competition managed to surprise the organization in the area of product or service for the customer who are "truly loyal" will give it another opportunity to solve the particular problem and will not abandon at the first sign of a problem that is instigated. In order to manage such relationship successfully with the customer there is a need to follow the expectations of the customers consistently. The customers must be able to believe that the organization can and is doing all it can to withstand its promises (both declared ones as well as the deduced ones) (White & Schneider, 1998; Brown, 2001).

#### **2.7.4 Trust, relationships, intentions to purchase and "word of mouth" recommendations**

Bhatty et al., (2001) claim on the matter of loyalty that just as in any interpersonal relationship, the organization-customer relationship is based on trust: the trust of the customers that the organization is attentive to their problems and complaints; that it is honest with them and available to them when needed, is caring and appreciates them. Bhatty et al., (2001) claim that relationship based on trust is the major factor leading towards true loyalty. Moreover, their research showed that breaching such trust is the major motive for abandonment of customers.

The next stage, according to Costabile et al., (2003) after the creation of trust is the development of behavioral loyalty. Trust has positive impact on the customer's costs and mainly the emotional costs. The repeated purchase behavior as economic step by the customer (as derivative of the customer's perception of the utility as being higher than the costs) leads toward behavioral loyalty. The duration of that stage depends on the competitive, marketing and technological pressures operated on the customer not to buy from one supplier only (Joseph & William, 2000). The emotional loyalty stage which is the next step in the hierarchy after behavioral loyalty was already mentioned as critical and the most advanced one but it is not the last stage. Following the development of emotional loyalty there is the last stage which is expressed through the actual execution of emotional loyalty, meaning- demonstration of loyalty through behavior aimed at cooperation and reciprocity in building and establishing long-term relationships while neutralizing many competitive variables trying to undermine the option of loyalty to one supplier (Costabile et al., 2003). The latter is perceived as most problematic by O'Dell & Pajunen (2000) especially in view of the culture characteristic that shapes the customers as "butterflies" that fly from one supplier to another. Nevertheless, O'Dell and Pajunen argue that it is possible to identify the "monarch butterflies" who finally return to the "genes" of the specific organization. The research of Bhatty et al., (2001) supports that argument as does the one by Ehrenberg et al., (2000). Beyond that, the research by Bhatty et al., (2001) which was based on approximately 1000 interviews held for fifteen minutes with various customers revealed that in fact, most customers identify at least one organization towards which they are loyal. Thus it may be deduced that there quite a lot of organizations that succeed in gaining the loyalty of their customers. The research by Bhatty et al., (2001) among many managers showed that even though senior managers

acknowledge the intricacy of customers' loyalty still many of them are unable to clearly define the concept beyond that of "repeated purchases". Other researchers (Liddy, 2000; Schijns, 2002; Bhatta et al., 2001; Schultz & Bailey, 2000; Shankar et al., 2000) proved that customers who consider themselves as truly loyal promote "repeated purchases" but these are not necessarily the best indicators of loyalty. A customer may purchase again and again from the same organization and still, simultaneously be impatiently waiting for the new competitor who will be able to provide the same price or the same service (Arnould et al., 2002). In other words, the loyalty of these customers is based on circumstances at the specific point in time when there are no blocks in the long range which would prevent these customers from defection in favor of the competition (Liddy, 2000; Schijns, 2002; Bhatta et al., 2001; Schultz & Bailey, 2000; Shankar et al., 2000). These researches point out that customer, who consider himself as loyal do much more than just purchase again from the same supplier. The research by Bhatta et al., (2001) which included a model of approximately 1000 Canadian customers from various industries, yielded the following findings: approximately 74% of the customers testified that they recommend their supplier to their relatives; 65% testified that they are inclined to forgive their supplier for random mistakes (in service or regarding flawed product); 88% testified that when searching for product or service they search first of all at the same supplier (before looking at the competition) and 43% declared explicitly that they will not buy at the competitors.

These findings emphasize the idea that the loyal customer is much more intricate and valuable than simple reliance on repeated purchasing which is based on circumstantial loyalty (Blackwell et al., 1999). Another fact that is emphasized is that customers who do not buy at the competition are less inclined to change supplies. Thus, their repeated purchases would occur through much lower costs for their supplier than the costs bound by circumstantial loyalty only which obliges the organization to see to perpetual temptation of the customer. Indeed, this is certainly a meaningful competitive advantage.

### **2.7.5 Customers' pyramid and loyalty**

According to Bhatta et al., (2001) based on the perception that customer loyalty is expressed mainly through repeated purchases there are more organizations who focus on their resources towards consistent improvement of their core products and the

characteristics of their services. Organizations invest in being the leaders with a product or price, sales and sales promotion, compensation programs, loyalty points, coupons, programs for conducting customer relations and data mining and turning their marketing message into personal one and other strategies (Palmer et al., 1997). However, Bhattya et al., (2001) also claim that the above constitute only a relative competitive advantage and not a continuous competitive advantage. They claim that the major point is that the competition never stays "far behind". Even the leading organization always has enthusiastic competitors who do everything to adapt their products, services, prices etc. Therefore core products and service characteristics alone cannot provide existing competitive advantage (Lawson-Body, 2004; Pedersen & Herbjorn, 2001). Thus argument does not claim that core products and services do not project on loyalty. Organizations must continue and work on these relative core advantages to remain competitive and to continue suggesting value to the customer as the main attraction factor for the customers. However, while these factors are essential in order to draw customers they are certainly insufficient to preserve customers for the long run and are insufficient for true loyalty (Bhattya et al., 2001; Bouch et al., 2000). That fact instigates the self-explanatory question: what then is truly important for the customers? Who indeed are the most important customers?

Within this context, the article by Curry et al., (2000) about the customer pyramid discusses the differentiation of customers. It is important to differentiate customers; meaning – to perform a process through which distinction will be made between customers whose value for the organization is high and those with mediocre or low value and then discriminate them favorably as the customers with the highest value. In order to differentiate its customers the organization must decide about the model according to which the value of the different customers will be established. It should perform evaluation according to the chosen model, divide the customers into layers and adapt the service level to the different layers. The emphasis in the process of evaluation and stratification will be on the location and retention of customers who belong to the most important layers as the top customers and the big customers while the group of the "less important customers"- small, medium, inactive, prospects, suspects and the rest of the world- would accordingly be given lesser emphasis.

The differentiation and stratification of customers would allow the organization to focus its organizational effort on abstaining from the investment of redundant energy and resources in the less important customers; to protect and enlarge the share of the

top and big customers and also examine the potential of the "medium" and other customers. The differentiation will determine the boundaries of the sector in which the service level may be hurt, to toughen positions in negotiations about compensation to the customer due to failures in service and the sectors in which it is worthy to preserve the existing service level and perhaps even improve them to prevent defection of the "important" customers. Abandonment of the unimportant customers may even improve the business results of the firm.

### **2.7.6 Measuring loyalty**

Customers' loyalty is an intricate subject to measure since it includes behavioral, position and cognitive processes (Bloemer et al., 1998). However in literature one can find a number of tools for measuring loyalty of customers.

Zeithaml et al., (1996) and Bloemer et al., (1998) developed a tool for the examination of loyalty which is composed of four indexes: (1) purchase intentions; (2) word of mouth; (3) sensitivity to the price and (4) complaint behavior. Ruyter et al., (1999) claim that there are three indexes that examine the loyalty in services: (a) preference; (b) indifference to price and (c) dissatisfied reaction. McMullan and Gilmore (2002) suggested a model to measure loyalty in services which contains 28 components. They divide the loyalty components into two major groups: (1) approach and (2) behavior. Nordman (2004) suggested a measuring framework that is classified into two groups: supported loyalty opposite repressed loyalty. The five dimensions suggested by him are: (1) the environment (2) service provider (3) the customer (4) the interaction between the supplier and the customer and (5) the core of the service. Even though most of these tools are similar it seems as though the tool by Zeithaml, et al., (1996) and Bloemer et al., (1998) is the most suitable one and accordingly it will be used in the present research as well.

## **2.8 Word of mouth**

### **2.8.1 Defining the "word of mouth" recommendations and the rationale at their basis**

Westbrook (1987) defined the word of mouth recommendations as informal communication that is transferred to other customers about purchase, ownership or characteristics of products or specific services and/or their sellers.

Giese and Spangenberg (1997) found out that positive recommendation transferred by word of mouth are critical for quite a lot of consumers in their decision making process before the purchasing of product or service.

Barlow & Stewart (2004) emphasize the negative and strong facet of word of mouth complaints which once they are spread virally on the internet to name one example they may be most harming to the brands.

Balter & Butman (2005) explain the success of marketing through word of mouth about opinions and recommendations regarding product or service through their perceived decency. They claim that marketing through word of mouth is far more successful than any other marketing method while the great power of word of mouth marketing is latent- as explained – in its perceived decency both positive and negative. Customers continue to count on the reliability of their friends or family members due to their belief that their recommendations are devoid of any manipulation.

Balter & Butman (2005) deal with this subject through the aspect of risk perception and the uncertainty that exists at the purchasing of services which are characterized by intangibility and heterogeneity. The researchers argue that, positive word of mouth recommendations meaningfully decrease the uncertainty of the customers following which their perception of the risk is decreased. The result- enhancement of the sales' turnover mainly due to the services in which the involvement of the consumers in the process is ample.

Data presented by Rusticus (2006) characterized the marketing use of word of mouth as much more reliable than other marketing techniques. He claims that only 14% of the consumers believe what they see, read or hear through advertisements. As opposed to that, 90% of the consumers do believe their friends or family members regarding their recommendations of service or product because their recommendations are perceived as objective and reliable.

### **2.8.2 Importance of using "word of mouth" recommendations**

The findings in quite a lot of researches support the substantial impact of positive word of mouth recommendations about customers' loyalty (Reynolds & Arnold, 2000; Harison-Walker, 2001; Srinivasan et al., 2002).

Patterson and Ward (2000) and Narayandas (1998) determined that the commitment of the consumers to the service provider increase the more they are exposed to positive word of mouth recommendations.

*"Causing people to say positive things, to the right people in the right way about a product or service, constitutes basic marketing technique"* (Silverman, 2001, p. 6).

The meaning and intensity of positive word of mouth recommendations were given another and meaningful expression in the same research: *"positive word of mouth recommendations are a thousand times stronger than traditional marketing processes"* (Silverman, 2001, p. 21).

Kirby and Marsden (2006, p. 164) divide word of mouth marketing into three major components:

- I. The first is the interpersonal communication which makes no use of the mass communication components.
- II. The second is the exchange of information based on product, service or brand.
- III. The third component deals with the perception of word of mouth communication as one that lacks availability and objectivity.

Reichheld and Sasser (1990) found out that positive word of mouth attracts many new customers; a fact that enlarges the firm's sales turnover without the need to enlarge its marketing budget. On the other hand, negative recommendations meaningfully decrease the credibility of the firm's advertisements.

In his research on the subject of loyalty, Oliver (1999) established that the customers' loyalty level depends directly on the impact of the positive word of mouth recommendations; such recommendations usually follow the stage in which the customer's measure of commitment to the organization has increased.

New researchers examined the effectiveness of the subject while basing it on the fact that the tool turned into basic marketing technique in many companies. Of course the success is based also on high service level which brings about much satisfaction among the customers which in turn leads them to talk positively about it (Kirby & Marsden, 2006).

### **2.8.3 NPS- Net Promoter Score**

During the last two years the NPS – Net Promoter Score method turned into meaningful tool enlarging the sales of small businesses and lately also those of the leading conglomerates. The method was developed by Reichheld (2003).

The "Fortune" journal of May, 2008 reported that the number of businesses in the USA and in other places in the world using that method is growing. The method is based on a questionnaire with one question only: "would you be ready to recommend this product to your friends and relatives?"

The indexes of this method are quantitative and are constructed as a scale with 100 points while at any given moment the company may identify, through the questionnaire, its precise location on the NPS scale. High location on that scale represents meaningful ability to enhance the sales while low location represents a problem not only in the enhancement of the sales but also in retention of customers thus serving as a warning sign about possible defection of customers.

The results of the research showed that it is possible to identify customers who granted the grade between 9 and 10 as "sales promoters" of the companies and that these customers manage to produce more than 80% of the total references to new customers.

Reichheld (2003; 2006) argues that the average grading of an American company is 15 on a scale of 100 while the food manufacturers are 24 on that scale and the cable and phone companies are at minus 4. A company may be defined as a "star" when it reaches the grading of 50.

There are those who criticize this method and among them is Fornell (2007) who claims that there is an unreasonable standard error percentage of plus/minus 10 while the upper level of standard error percentage in these kinds of researches cannot surpass plus/minus 3.3%. The meaning of that standard error percentage is that improvement of five points in the NPS index may at the same time represent worsening of five points.

The salient advantage of this method is that it is able to identify who are the satisfied customers who will recommend the brand or company to their friends and who are the most displeased customers who if all goes well will abandon in favor of competitor with better service and in the worse case will spread their negative experiencing to many others.

## **2.9 Purchase intentions**

### **2.9.1 Definition of purchase intentions**

Purchase intentions are defined as conscious intention of the customer to purchase the product, brand of given service in the future (Li, Daugherty & Biocca, 2002). They are also considered as efficient index about the future behavior of the customer (Balasubramanian et al., 2006). Another definition claims that the purchase intentions are an absolute, defined and conscious decision to choose specific brand/product and not others (Uncles, Dowling & Hammond, 2003). It is possible to see that the two definitions are similar in that both relate to the purchase intentions as the result based on cognitive process of choice and consolidation of position which may be expressed through purchase behavior. It should be pointed out that there is no overlapping between the purchase intentions and the actual purchase behavior because there are many influences that are involved in the connection between the two factors and moderate them. It has been found that there is only a weak correlation between actual purchase of expendable products and the intention to buy them and this is so because the purchase of these products is not necessarily planned (Newberry et al., 2003). However it is common to refer to the purchase intentions as most powerful position in the prediction of future purchase (Page & Luding, 2003). That is why the purchase intention as a position have been drawing the attention of academy and marketing people for a long time trying to point at the factors (including characteristics of the organization that suggests its services/products, characteristics of customers, characteristics of the branch and characteristics of the market) that can predict it.

### **2.9.2 The rationale for the importance of purchase intentions**

Efficient prediction of concrete purchasing behavior is particularly important since it may help the organization to shape business propositions and marketing strategic ones in such a manner that would encourage its potential customers to buy from it and thus enlarge its income, its market share and eventually also its profits (Chandon, Morwitz

& Reinartz, 2004). As indicated above the purchase intentions are identified in the area of customer behavior towards the economic success of the organization since these are good predictor of actual purchase and it is expected that these would enlarge the incomes of the organization, its profitability and improve its survival expectancy (Page & Luding, 2003). The purchasing intentions include variety of factors including customer's satisfaction, the perceived price (Newberry et al., 2003), acquaintance with the product, the brand's ability to turn into an asset; the nature of the advertisement and other factors (Li et al., 2002). The following discussion will introduce some of the factors that impact the purchase intentions and purchase behavior.

### **2.9.3 Major approaches to purchase behavior**

- I. **The first approach-** which is presented by Biel et al., (2005) introduces the purchase behavior as the outcome of consumer's habit which relies on permanent routine of purchasing a product or service. These researchers explain that many human behaviors may be characterized as habits. Habits are formed through the integration between specific goal (in the consumer's case-satisfy some personal need) or something that a person wishes to achieve and between the insinuations that exist in the environment. These insinuations signal that obedience to habit constitutes behavior that will help the person to achieve his goal. Thus, when behaviors stem from habit the person relies on the making of routine decisions in which the weight of intentional consciousness is not ample. In the consumption area the behavior based on habit is identified as repeated purchase behavior within the framework of which the consumer purchases the product or service he became accustomed to; the supplier he became used to through the latent assumption that the product or said service will satisfy his wishes in the best possible manner. The acquisition of products for daily use is done mainly through habit. Polyorat & Alden (2005) explain that the premise according to which the advertisement branch is operating is that it is possible to form routine purchase based on habit if the advertisement manages to "signal" to the customer that the product is suitable for him and is expected to provide his needs.
- II. **The second approach** – for purchasing behavior is that of position; meaning it explains the purchasing intentions of the consumer through positive position towards the product, the service or the brand. The connection between position

and acquisition is expressed in a number of researches that were held in the advertisement area and which examined the efficacy of commercial advertisement by measuring the change of positions done through it (Balasubramanian et al., 2006; Kim, 2006). This approach was also expressed in the research of Jin & Suh (2005) which dealt with private brands and was based on the hypothesis that positive position towards the brand is a compulsory stipulation (even though insufficient one) for purchasing the product. Biel et al., (2005) related to that approach too in their research and focused on consumption that is based on values. They argue that consumption based on values occurs when the consumer chooses to prefer purchases from the conglomerate that transmits social messages that he identifies with. Ettenson & Klein (2005) presented another significant example for purchase behavior that is based on positions in the area of consumers' boycott. Their article dealt with the consumers' boycott declared by Australian consumers on French products as their reaction to nuclear experiment in the Pacific Ocean that France was involved in.

- III. **The third approach-** argues that the purchase, especially in the era of plenty may be impulsive; meaning unplanned and unconscious and does not depend on habit or position. The consumer who performs impulsive purchase usually purchases the product following a very brief process of decision making aiming to satisfy some need which may also be the actual purchase experience. Litvin, Blose & Laird (2005) claim that the purchase on the internet is characterized by high level of impulsivity and lack of planning. However, Thomas & Garland (2004) emphasize that spontaneous purchasing behavior mainly characterizes products that are purchased through low involvement.

It was claimed that between the inclination to buy through habit and the inclination to purchase through position there is an inverted connection (Biel et al., 2005). However, there are researches that grant reasonable ground to suppose that this is not compulsory for purchasing through position and purchasing through habit as these are not contradictory phenomena but complementing ones. Thus for example, repeated purchase of many products is developed after the consumer purchases specific product or service for the first time. There are many researches that present positive

position towards the service or product as premise for the development of habit or repeated purchase (Reichheld, 2001) and customer loyalty (Cronin, Brady & Hult, 2000; Jones & Farquhar, 2003; McDougall & Levesgue, 2000).

#### **2.9.4 Purchase intentions and innovation**

The connection between the level of technological innovation and the purchase intentions was empirically proven through few researches. A Thai research held among viewers of cable television found out that among the public of permanent users of technological devices the perceived level of technological innovation may contribute to their readiness to adopt new developments of the product they are using (Sarrina Li, 2004). Czechoslovakian research discovered that the perceived innovation level of internet sites is positively linked with the intentions of the customers to purchase products and services through these sites (Panza, 2006). Rees, Story & Saker (2004) found out that in the vehicle branch the company's technological innovation and that of its distribution channels constitutes one of the major causes for the purchasing behavior. However, Lazonick & Prencipe (2005) challenged these claims by saying that even the Rolls Royce Company which is not considered as innovative in its area still enjoys high popularity among its target audience.

Lin (2004) suggested bridging over the gap between the two arguments; he claimed that the impact of the technological innovation perceived about purchasing intentions is essential only among customers who are by themselves inclined towards technological innovation while among the more conservative customers it would be reasonable to assume that the technological innovation will have no impact or perhaps only a partial one.

#### **2.9.5 Purchase intentions and consumer awareness**

Acquisition of products based on technology and also the purchase of products in general is tightly linked with the subject of consumers' awareness which generally is defined as cognitive state of alertness; in it the person consolidates position about himself and the situation in which he is found (Jin & Suh, 2005). Accordingly the awareness to the brand in consumption relates to the customer's orientation towards the ideas of purchasing familiar brands; brand with distinguished quality or products or services with another distinguished advantage (Leo, Bennett & Härtel, 2005). Jin &

Suh (2005) classify the variety of areas in which the customer may be aware of the advantages of the brand, into four categories:

- I. Awareness to the price: the measure in which the customer is focused on the level of the price and is aware of the differences in prices between the different brands. Usually the awareness level to the price maintains significant positive connection with the purchase of the cheaper brands such as the private brands. Ofir (2004) adds that the prices of products are one of the most popular concerning customer awareness: many of the consumers, mainly those with low income (but not only they) are aware of products prices absolutely and also of the relative price of the specific branch- while smaller numbers of them are inclined to be less involved in the evaluation of the price during purchasing.
- II. The customers' awareness to market leadership: market leadership may be defined by the market share according to sold units; the market's share in incomes and the market's share in profitability; when one company precedes its competitors in one or more of these indexes it is considered to be the leader of the market (Pong & Burnett, 2006). Lange & Coltham (2005) claim that awareness of customers as to the company's being the leader of the market is linked with the customers' trust in the company and its perceived prestige which may contribute to their decisions to purchase the products of the company.
- III. Awareness to value: the measure in which the customer is aware of the diverse qualities in exchange for the price he pays. Awareness to value is not about the quality in absolute terms but in unique manner to the price of the brand.
- IV. Awareness to quality: the measure in which the customer is aware of the quality gaps between the given brand and other brands in the category of similar price.
- V. Awareness of the product's innovation level: a state of cognitive alertness that causes the customer to be aware of the measure in which the brand or the given product suggests qualities and innovative and distinguished characteristics in relation to other relatively to other brands in the market. Awareness to the innovation level of the product may exist in each and every

branch. Thus for example Parker, Herman & Schaefer (2004) discussed the awareness level to innovative fashion brands and found out that among the young it is inclined to be higher.

## **2.10 Price insensitivity**

### **2.10.1 Perceived price**

The impacts of the price perceived about the behavior of the customer were researched extensively in the past. Economic literature provides infrastructure for the right pricing through the maximization of profits or maximization of incomes strategies (Soman & Gourville, 2001). In the past, the perceived price was defined as overall compensation which the customer waived in order to purchase a given product or service (Cronin et al., 2000). The perceived price represents the customers' perception of the fiscal and non-fiscal price which is identified with the purchase of the product or service and its use. Some researches emphasized the distinction between the fiscal price and another price paid by the customer – meaning effort, time invested in the receipt of service and so on. Among these researches there is the research by Lee & Cunningham (2001) which was held among private customers of financial institutes and travel agencies. These researchers adopted the multi-dimensional approach and presented the overall cost to the customer as the integration between:

- I. Economic price- represents the customer's waiving in order to buy the product. There are two kinds of economic prices: the monetary and the non-monetary price as for example waiting time for service, duration of the service process etc.
- II. Transaction costs- the difficulty to estimate in advance the quality of the service performance; the specific knowledge that the service provider has about his customers.
- III. Transition costs- the costs of search for data related to service; the risk perceived as identified with the service and the facility with which it is possible to exchange the given service provider.

From the customers' point of view the price is something they gave up or sacrificed in order to purchase the service. When the customers believe that the discussed price

was worthwhile relatively to the compensation they may perform repeated purchase. However, if the customers believe that it is an unworthy sacrifice they may choose not to purchase the service or product again even if its quality is generally satisfactory (Desai & Talukdar, 2003).

The perceived price is one of the major characteristics which are considered when the product or service are purchased and the consumers are in the habit of making comparisons about the price in order to consolidate an overall perception about the product. Even though, most of the customers do not recall the precise prices of the products they purchase (Desai & Talukdar, 2003), still researches prove that the consumers do have general perception about the price of the product. The perceived price may respond to descriptions such as "too high"; "good deal"; "expensive"; "worthwhile" and so on. Perception of the price grants the prices perceptual depth in addition to its nominal representation (meaning: nominal price) and usually the importance of the perceived price surpasses that of the nominal price (Monroe & Lee, 2003).

In the past various researchers emphasized the importance of the perceived price and also its impact on consumer behavior. The classic theory describing repeated purchase behavior suggests that the position of the customer towards the product is consolidated in the process of product/service acquisition and usage while the customers compare the compensation they received with the purchase cost. That comparison is part of the overall expectations gap: the customers are consolidating relative evaluation of the profit drawn through the purchase relatively to the price paid (and which represents waiving the value) and also the experience of the consumption relatively to the expectation which was also consolidated according to the required price (evaluation of that consumption experience represents- as indicated above- the acquired value). At the end of that evaluation process the customers consolidate positive or negative positions (Hoisington & Naumann, 2003). The theories describing repeated purchase mechanisms may be irrelevant when it concerns innovative product and the purchase is performed for the first time. In such case the customer does not compare his expectations with the experience of the previous purchase but establishes his decision on totality of considerations which include perceived quality, perceived risk, his position towards the brand and also the perceived price (Hsieh & Chang, 2004). The classic approach assumes that the

connection between the perception of the price and the intention to buy is an inverted connection: the more the price is perceived as high thus the purchase intentions would be lower.

### **2.10.2 Satisfaction, sensitivity to price and customers loyalty**

The price has substantial impact on the defection intentions of the customers. Colgate & Hadge (2001) examined the defection intension of customers in the banking sector. Their findings proved that the strongest dimension that caused defection were price and service failures of the banks.

In the research by Santonen (2007) it has been found that in the banking system the dimension of sensitivity to price is most influential on the customers' intentions to abandon. The impact is particularly strengthened in the sectors where the price is low and the line of products is limited. The findings point out that even loyal customers are always open to attractive price offsets.

The quality of the service and the service capabilities of the frontline people, improve the satisfaction of the customers and moderate their sensitivity to the prices. The satisfaction of the customers increases the more they notice continuous changes in the quality of the service. High and continuous satisfaction enlarges the amount and quality of their recommendations to others, fertilizes the cross sales, meaningfully moderates their sensitivity to the prices and enables the firm to grow (Fornell et al., 2006). Within the context of the risk perception, De Ruyter et al., (2000) and Yoon & Kim (2000) found out that loyal customers would be ready to pay higher price and even agree to certain price increase because their perception of the risk is low. Long term relationship with customers forms among them lesser sensitivity for price. Naturally that sensitivity is not unlimited and the managers must understand that point which is critical for the retention of loyal customers.

### **2.10.3 Flexibility of demand**

It is possible to point out few perceptions that are expressed in the area of customer behavior regarding the connection between the perceived price, the flexibility of demand and the purchase intentions:

- I. To begin with it has been claimed that the intensity of the connection is impacted by the customer's budgetary possibilities. When his budget is low the demand may be most flexible; meaning even a small increase in price may

cause sharp decline in the purchase intentions; however when the budget is high- the waiving done during the payment of the nominal price is perceived as lower and the customer may be less sensitive to the changes in price. During the purchasing of expensive products through high involvement, the cost of the product may be quite high relatively to the budget available for the customer. Thus the assumption is that between the perceived price and the purchase intentions there may be inverted and significant connection (Li & Holeckova, 2005).

- II. Secondly, the customer is inclined to perform evaluation of the perceived price's decency when he avoids paying a price which he perceives as exploitive or unjustified (Huang & Lin, 2005). His sensitivity to prices may also impact the intentions to purchase (Hsieh & Chang, 2004). Jin & Suh (2005) referred to the issue of sensitivity to prices among customers as to "direction at price" meaning, the centrality level that the price fulfills within the totality of the customer's considerations. They defined "direction at price" as "the measure in which the customer is exclusively focused on paying the lower price".
- III. There is a claim according to which while purchasing prestigious products that were aimed to impart the person specific social status, the purchase intentions would not be within inverted connection with the product's price. The connection will be more complicated; at times the more expensive product will instigate higher purchase intentions than the cheaper product. In order to understand what will be the nature of the connection between the price and the purchase intention to buy a car for example, one should understand what is the purpose of the buyer: solve mobility problem (for example if the person has no car); or increase his perceived social status (in case of a person who was promoted at work and is interested in exchanging his care with a more expensive model) (Ramsey, 2005). In the second case the consumer may consider the price more while granting more consideration to the image of the car manufacturer's brand including the image of the country in which the car was manufactured (Hsieh, Pan & Setiono, 2004).
- IV. There are quite a lot of empiric researches pointing out that there are other factors, excluding the price, that impact the purchase intentions and loosen the connection between the price and the purchase intentions (Barat & Paswan,

2005). These factors include within them the customer's satisfaction (Liao & Chiang, 2005), the perception of service quality (Uncles et al., 2003) as well as factors that are unique for the specific brand or branch (Scherb, 2004).

## **2.11 Complain behavior**

### **2.11.1 Definition of complain behavior**

The customer's complain behavior is also known by the name "complain reaction of customers" (Singh & Widing, 1991). These researchers write that the complain behavior of customers includes the entire potential of customer reactions expressing his dissatisfaction.

Singh (1990a) characterizes the complain behavior of the customers (henceforth: COM) as the customer's response style expressing his dissatisfaction. The response style includes the following: switching patronage, telling friends and family members and filing complaint to external authority.

Crie (2003, p. 61) characterizes the COM of customers as "*a process composed from a line of reactions that stem through the perception of dissatisfaction, linked with the circumstances of the purchase, or during the purchase, or during the ownership time of the product or service*". Crie argued that the COM is not an immediate reaction but a process that stems from the evaluation of the customer's state which develops in the course of time.

Broadbridge and Marshall (1995) explain that customer's COM is a process that begins when the customer evaluates his consumption experience (resulting from dissatisfaction) and ends when he ends his various reactions to the purchase.

### **2.11.2 Types of complain behavior and their results**

The COM of customers has found ample room in research literature. It was revealed that the satisfaction of customers has negative impact on the measure of their complaints and positive impact on their purchase intentions and their loyalty (Bolton, 1998; Fornell, 1992).

Warland and Willitis (1975) divided the COM into two reaction categories following dissatisfaction: (1) action and (2) no-action. They indicated that substantial number of consumers will not complain before the provider of the product/service despite their dissatisfaction. The researchers call these consumers "upset no action" as opposed to the consumers who do complain and whom they call "upset action category".

Heung & Lam (2003) point out that COM is not expressed only through complaint to the seller but it also includes warning of friends and family members, stopping patronage, filing complaint to the consumer's authority, publication of the complaint in the media or writing complaint letter to the management. Similar findings emerged from the research of Day & Landon (1976) who classified the COM for the first time into two categories: "public reaction" or "private reaction". Cornwell et al., (1991) characterizes public reaction as one connected with direct reaction activity to the supplier or a third party (for example: consumer's protection authority or the government) which includes damages claim from the retailer or the manufacturer and taking legal actions.

Similarly, Heung & Lam (2003) believe that "public reaction" held by the consumers may include verbal complaint to the retailer or manufacturer, writing a complaint letter, writing complaint to the consumer's column in the newspapers or turning to external authority.

"Private reaction" on the other hand points at the use of negative communication through word of mouth to family members and friends or the decision not to purchase that product or service again or even boycott the supplier (Bearden, 1983; Broadbridge & Marshall 1995; Cornwell et al., 1991).

"Private reaction" is bad for the suppliers since they usually do not grant it sufficient attention (also through lack of knowledge) and its impacts on the sales and their profitability is meaningful (Heung and Lam, 2003).

Defection of customers is defined as "external behavior" which is one of the possible behaviors of customers in response to their dissatisfaction (Singh, 1990b) or as "private response" for complaints (Day & Landon, 1976). Crie (2003) also believes that defection may serve as complementing alternative for COM he clarifies that a customer may choose not to complain or leave the company or he may complain and leave afterwards.

Arnould (2004) also claims that customers who complain about their dissatisfaction may choose between defections the company or continue their patronage behavior.

Colgate & Hedge (2001) who conducted a research for banking services suggested a framework that clarifies the relations between complaint/lack of complaint for defection behavior. The framework of their research emphasizes the importance of the relations between the complaints and the defection while the defection is dependent

variable. The research focuses on the business problem of customers' defection whose importance for managers is greater than the examination of the connection between COM and defection behavior.

## **2.12 Rationale- Critique of the literature and identification of research gaps**

The literature review shows that loyalty is amply influenced by customers affective commitment to the organization which derives from the perception of the innovation and the manner in which the customer perceive the emotional intelligence of the service providers which together form the perception of the service value given to them in B2B. However the literature findings relate to the conclusions about single connections between those that were presented while there is no inclusive model that evaluates the totality of these impacts simultaneously in one model.

Connections were found between emotional intelligence of the service employees and customers loyalty (Cooper & Sawaf, 1997; Bardzil & Slaski, 2003), while the emotional intelligence of the employees should be improved by the organization that employs them (Greenbaum, 2000). Fruitful relationships based on emotional connections are the most efficient tool for the enhancement of customers' loyalty (Oliver, 2006; Reichheld, 1996; Greenbaum, 2000). The emotional intelligence of the employees is supposed to produce emotional loyalty which according to the researchers constitutes the highest level of loyalty (Bardzil & Slaski, 2003; Costabile, 2000; Lemon, White & Winer, 2001; Oliver, 1999).

Within the more extensive context Goleman et al., (2002) and Bar-On & Parker (2000) present their thesis according to which intelligent management of emotions leads to the enhancement of the perceived value by the customers, expansion of the trust, enlargement of the repeated purchases rate, development of behavioral loyalty, cognitive loyalty and finally emotional loyalty.

In literature no connections were found between innovation and emotional intelligence. On the other hand there are certainly other connections concerning innovation that impact variables in this research. Innovation is supposed to fertilized purchase intentions of customers and mainly the innovative customers (Lin, 2004; Panza, 2006). There are connections between innovation and market orientation (Atuahene-Gima, 1995; Lukas & Ferrell, 2000; Han et al., 1998) as well as to the relationship marketing (Webb et al., 2000; Steinman, 2000; Baker et al., 1999). The

goal of marketing relations is to a great extent the enhancement of the customers' loyalty while innovation is one of the tools to do it (Terrence & Tellefsen, 2003; Lado et al., 2001). Undoubtedly innovation holds meaningful value for the customer which contributes to the creation of a long-term relationship (Aranda & Fernandez, 2002; Amable & Palombarini, 1998). Value for the customer which is combined with emotional dimensions forms a customer who is emotionally loyal (Costabile & Paull, 2001; Lemon et al., 2001; Costabile, 2000).

There is no difference of opinions that commitment leads to loyalty as it was established by Dick & Basu (1994) and Beatty et al., (1988). Within this context emerges the affective commitment that focuses on the pleasure formed in the relationship and very much contributes to the positive word of mouth recommendations (Bloemer et al., 2003). That pleasure is well integrated within the dimension of the experiences economy (Pine & Gilmore, 1999). Positive word of mouth recommendation does very much impact the customers' commitment as well as their loyalty (Reynolds & Arnold, 2000; Harison-Walker, 2001; Srinivasan et al., 2002). Surely the price has ample impact on the customer either through the dimensions of purchase intentions (Desai & Talukdar, 2003) or as major dimension in the customers' perception of value (Hsieh & Chang, 2004; Hoisington & Naumann, 2003).

The last loyalty component: COM is linked with the measure of the customers' loyalty (Bolton, 1998; Fornell, 1992; Zeithaml et al., 1996). The more the loyalty of the customers is higher; their tendency will be to solve their problems directly with the service provider and will not turn to external authority.

The rational presented above specifically distinguishes between aspects regarding organization-customer interactions which are within the organization control and aspects of these interactions as they are reflected by customers reaction (in this case customers' loyalty). As stated above, the focus of this research is the "customers' side" of the interactions as rationalized above. However, organizations face a more complex and restricted playground. As stated by Håkansson and Snehota (2006), organizations' interactions with parties, suppliers, competitors and customers alike, define to a great extent their positioning and the way they do business. Furthermore, in order to breach these status-quo boundaries organizations must introduce a meaningful and innovative

change, which often requires a shift in focus away from the way the organization allocates and structures its internal resources and towards the way it relates its own activities and resources to those of the other parties constituting its context (Håkansson and Snehota, 2006).

In particular, the innovative process should investigate the management and enhancement of knowledge (Möller et al, 2005; alvesson, 1993; Stefanos et al, 2008). These changes should not be dismissed or belittled, and more so when innovation takes place within inter-organizational activities while its outcomes is less obviate in the organizational interactions with the external environment (Hakansson and Bengstron, 2008 or Ford et al, 2003).

### **2.13 The research objectives**

The research objectives are:

- I. To identify how the use of emotional intelligence by the borderline employees can increase the value of the service as it is perceived by the company's customers, enhance the customers' level of affective commitment to it and increase their loyalty level.
- II. To identify and characterizes innovation dimensions and examine how their impacts may increase the level of the customers' perceived value; enhance the customers' level of affective commitment to it and increase their loyalty level.
- III. Identify how the dimensions of emotional intelligence in the service behavior of the borderline employees are perceived by the customers and what are the gaps between their perception and the perception of the employees.

### **2.14 The research queries**

This research responds to the following queries:

- I. What is the connection between emotional intelligence of the service providers and the perception of the eservice's value by the customers?
- II. What is the connection between the perceived service innovation and the perception of the service's value by the customers?
- III. What is the ratio of impact that each one of these components has on the customers' affective commitment and loyalty?

- IV. In which components of the emotional intelligence of the employees there is a gap between the perception of the service providers and the perception of the customers?

### **2.15 The contribution of the research**

- I. For the first time this research integrated the relative impacts of rational dimensions such as "innovation in service" which contributes to the efficacy, effectiveness and attractiveness of the firm with emotional dimension such as "emotional intelligence" which contributes to the value of the service, the commitment of the customers to the firm and their loyalty to it.
- II. For the first time this research maps the existing gaps between the components of the employees' emotional intelligence as it is perceived by the employees as opposed to the perception of the customers.
- III. The model in this research examines a wide range of connections between variables which, the researcher believes, was not researched so far in that manner; this is expressed mainly through the area in which emotional intelligence and emotions in general impact customers' behavior.

## **Chapter 3 – The research method**

### **3.1 Introduction**

This research was held among the customers as well as among the employees of the "Orion" Logistics Solutions Company. As such these subjects should be attributed as a convenience sample rather than random sample. This is mainly so because sampling took place, firstly, at the convenience of the researcher – both regarding the location and the timing of the sampling at "Orion" company grounds. However, as stated below, "Orion" is a fair representative of all (approximately 100) Israeli logistic services companies. Its sale volume, customers' segmentation and diversification, size, profits, amount of workers and other business indicators are not different from the main bulk of other companies in this field of expertise. This is why the sample can easily be considered as a representative sample of the research population.

This research was preceded by two pilot researches; one among the employees who are facing the customers and the second among the key people among the customers who are served by the employees of that company.

### **3.2 The pilot study**

The aim of the pilot study is to examine validation and reliability of the tools and focus on the validity and reliability questions only for the sake of the final research. The findings of the questionnaire about the perception of the company's various service dimensions (see table 1) do not include the evaluation dimensions of the employees and customers regarding the service behavior of the employees; that would have required comparison of the same parameters in employees as well as customers and it would have been impossible to omit different parts from each group. Examination of the reliability in such cases is based on validation of the questionnaires which were developed and validated originally in wide-range samples.

Table 1 point out, that there are variables with low reliability which should be omitted. These variables are:

Innovation: Global and General (Cronbach's  $\alpha=0.091$ ), EQ: Workers Mutuality (Cronbach's  $\alpha = 0.610$ ), PSV: Utility (Cronbach's  $\alpha=0.446$ ), Purchase intention (Cronbach's  $\alpha=0.310$ ), Complains behavior (Cronbach's  $\alpha =0.542$ ).

Some items have sensitivity that is too low (constant or with 4-5 values only) which included item 7 ("I'm pleased with "Orlan" workers ability to change behavior, habits, and style to meet rapidly changing demands of the work environment"); item 10 ("I'm pleased with "Orlan" workers ability to uncover the important and relevant information"); item 32 ("I encourage friends and relatives to do business with Orlan"); item 33 ("I intend to repurchase services from "Orlan" again in the future") and item 34 ("It is possible that I will use "Orlan" services in the future").

Only these items were introduced in a separate questionnaire and results were received with greater sensitivity. See graph 1- specifying the state in the first pilot as opposed to the second pilot when the amount of the questions was diminished. That is to say- there is a need to present the questions in different times so as not to form pressure on the respondents. These questionnaires will not be anonymous.

Graph 1 presents items 8, 12, 31, 32, 33, and 34 about which there was absolute insensitivity among the respondents. Meaning, all the respondents answered with the highest answer "5" on the scale of 1-5, without distribution and the datum received among all respondents was in fact constant (see blue columns). Since the questionnaire was validated in the past the hypothesis was that the respondents were impatient, answered quickly and did not delve into it. And so, the questionnaire was given one more time to 10 respondents and the distribution was more reasonable with values of 3-5 on the scale of 1-5. The evaluations are still high but this is characteristic of satisfied company customers. The dissatisfied customers probably left the company and are not included in the survey. To sum up: after receiving the findings from the second round, it has been found that it is possible to use these times provided the respondents fill up the questionnaires at different time intervals.

On the questionnaires only a number will be indicated and no identifying names and thus there would be higher readiness on the part of the respondents to answer and not to divert their answers. Similar results and conclusions were gained about the items in which there were only 2 values in the distribution (graph 2) or only 3 values in the distribution (graph 30). In all cases the distribution and the sensitivity of the questions did emerge.

To avoid a state of Multicollinearity in ample regression, the explaining variables were collected according to independent factors. Table 2 the factors of the innovation dimensions according to the satisfaction of "Orion" customers. That dimension was divided into two sub-dimensions: specific perception of innovation concerning the customer of "Orion" services (items 1, 2) and the innovation perception that is beneficial for all. Both factors explain 62% of the variance of the variables.

Table 3 presents the factors of the emotional intelligence dimension according to the satisfaction of "Orion" customers. That dimension was divided into three sub-dimensions: workers communication (items 9, 11); workers mutuality (items 7, 8 and 10) and workers influence (item 12 only).

Table 4 presents the factors of the "perceived service value" dimension according to the satisfaction of "Orion" customers. This dimension is divided into three sub-dimensions: easy to use (items 18, 19); utility (items 16, 20, 21, 22) and feelings (items 13, 15, 17).

Table 5 presents the factors of the affective commitment dimension according to the satisfaction of "Orion" customers. That dimension was divided into two sub-dimensions: **personal meaning** (items 26, 27, 29) and **familial feelings** (items 25, 28). These two factors explain 76% of the difference.

Table 6 presents the factors of the complain behavior dimension according to the satisfaction of "Orion" customers. This dimension was divided into two sub-dimensions: external action (items 40, 41) and internal action (items 39, 42). Both factors explain 85.6% of the variance.

Table 7 presents the factors of employees' evaluation of their service compared to the evaluation by the customers of these employees regarding the service behavior dimensions. This table presents only the items in which significant gap was found between the evaluation of the customers and the evaluation of the employees. That is to say, 24 items (27% of the items) constitute risk in the area of the employee's service behavior. Since this concern matching between evaluation of the customers and the evaluation of the employees there is a problem to perform reliability tests such as the Cronbach's Alpha test.

The characteristic of these items is the relatively small standard deviation in each group of evaluators, among the customers all items have standard deviation that is different than zero; meaning the items are sensitive for them and there is no possibility to subtract one of the items due to insensitivity. However, regarding the evaluation of their service behavior by the employees- there are items in which the datum is not sensitive and the evaluation is always the highest ("5" while  $n=10$  when the scale is inverted ). Herewith are these items: ignored me; had a bad attitude; did not provide complete service; acted rudely toward me; was annoyed with me; treated me carefully and seemed to care about me .

Meaning, this datum was the less sensitive item for the evaluation of service by the employees. That evaluation will forever be the highest on the scale since it is not clear if the result among the employees stems through lack of sensitivity to the item (in which case it should be considered to subtract it) or through sample in the pilot that was too small- which is when expansion of the pilot sample was performed (double,  $n=10$ ) only about these items. However, regarding these items it has been found that in all cases, except one, the employees' evaluation of their behavior was higher than the evaluation by the customers, which could be expected. The only case in which the evaluation of the employees (3.5) was lower than the evaluation of the customers (4.0) was in item "seemed very intelligent".

Table 8 specifies borderline results between the evaluation of the employees and the evaluation of the employees' service by the customers. That is to say that it is not absolutely clear that the variance is significant. This concerns three items only (3% of the items): respected me ( $p=0.087$ ); was very personable ( $p=0.077$ ); was concerned ( $p=0.058$ ). For these items expansion was made of the pilot sample ( $n=10$ , double).

Table 9 specifies 63 items (70% of the items) indicating lack of significant gap between the evaluation of the employees of their behavior and the evaluation of the same by the customers. There are 2 situations about lack of significance between the evaluation of the employees of their behavior and the evaluation of the same by the customers. The first case is the mean of similar grade as for example in the item "respected me" and the second is the high standard deviation in one of the dimensions as for example in the item "congeniality" in which the standard deviation is high among the employees (1.25) as well as among the customers (1.29). The second case

is when the mean grade is indeed similar between the groups while the standard deviation is relatively small as for example in the item "provided bad service" in which the standard deviation is small and identical (0.32) in the employees as well as in the customers.

Comparison of the "Orian" employees' grades as these were graded by the customers as opposed to those by the employees was analyzed separately in this research since there was no specific assumption about these gaps. Analysis of these gaps enables learning in which areas there may be greater gap between the perception of the customers and the perception of the employees. In such case there may be waste of resources or a need to take care of problematic gaps.

The gaps presented in table 7 include the items in which significant gaps were found between the means of the evaluations according to the significance level of the T-Test which considers also the standard deviation and not the means only. The most salient variable in the gap is that of "ignored me". In the inverted scale, aiming for the averaging to relate to positive aspects, the evaluation of customers (means 4.7) was lower compared to the evaluation of employees (means 5.0) and points out that the customers are experiencing more ignorance by the "Orian" employees compared to the way the "Orian" employees evaluated themselves in the same dimension.

In the item "acted in a relaxed manner" the employees believe that they are acting in quite a relaxed manner (means 4.1) while the customers believe their relaxation requires improvement (means 3.4). The result may be explained within the context of the stormy process of business during the last few years when customers who are impatient and lack time expect relaxed and calmer reactions. In the variable "treated me carefully" the employees believe that they are treating the customers with utmost caution (means 5.0) while the customers grant that variable lower grading (means 4.8). The same gaps are found in the variable "seemed to care about me". In the variable "was very understanding" the customers granted means grading of 4.1 while the employees granted themselves the means grading 4.5. Here too the customers expect the employees to give them greater measure of understanding than the one they actually receive. The variable that leads to an interesting insight is "seemed very intelligent". The means grading of the customer was 4.0 while the employees only graded themselves with the means 3.5. These facts may be explained through number

of angles: apparently the employees are perceived by the customer as knowledgeable and professional and accordingly, intelligent. The employees on the other hand do not believe they are more intelligent than others and hence the gap. Service providers can and should leverage that point in their benefit and that of their customers by creating a situation in which their employees indeed know how to grant the best solutions with substantial added value for the customers. The customers who appreciate these capabilities would, most probably, wish to use the good services of these employees again. The result is supposed to be expressed through the strengthening of their loyalty to the company. This argument is fortified in the researches of Bove and Johnson (2000) and Uncles et al., (2003), who identify the building of strong contact with the customers, as one that depends substantially on the skills and efforts of the frontline employees. In the variable "was very knowledgeable" small gap is found when the employees granted themselves the means grade of 4.3 while the customers granted the means grade of 4.1 only. With reference to the previous discussion about the intelligence level of the employees, there may be a problem here- while the gap may be explained as certain lack of general knowledge and not a specific one; on the other hand the company should avoid creating such gaps since it may express certain lack in the ability to grant full solutions to the customers according to their expectations. In the variable "smiled a lot" the employees believe they do smile a lot (means 4.3) while the customers believe they smile less (means 4.0). Also in the variable "was very courteous to me" a gap is revealed while the employees grade themselves with the means of 4.8 while the customers grant them the means of 4.4. That variable is in a certain way connected with the variables "acted in a relaxed manner" and "smiled a lot" – in these three variables one should expect greater expressions of empathy by the employees towards the customers. In the variable "anticipated my needs" the employees granted themselves the means grade of 4.3 as opposed to the customers who granted them the means grade of 4.1. That gap too is connected with the expectation of the customers who expect their employees to predict their needs. This finding strengthens the fact that organizations expect the service providers to have ultimate capabilities. In the variable "was sincere" substantial gap is found between the 4.7 means granted by the employees as opposed to 3.9 means given by the customers. That gap may be explained through the existing conflicts between members of the frontline in the service organizations and the managers of the organization on the one hand and the customers on the other hand. The employees

believe that in many cases they should give the best to the customers; the managers believe in quite a lot of cases that it is bound by redundant waste of resources. The customers may perceive that gap as certain insincerity of the employees towards them. Managers in service organizations should take that point into their consideration. If a conflict is revealed they should solve it "at home" and not expose it before the customers. In the variable "seemed interested in me and my needs" there is also a gap: 4.8 points given by the employees as opposed to 4.4 by the customers. This grading also expresses a gap in the expectations through which the customer expects service on personal level. In the variable "responded quickly to my needs" there is a gap of 0.3 points between the 4.5 by the employees as opposed to 4.2 by the customers. In this case the expectation is for faster service that expresses the dynamics of the business world which requires immediate ad hoc solutions.

### **3.3 The research population**

The population of the research includes representatives of companies in the shipment, purchase and logistics departments of Israeli companies dealing with the manufacturing and international distribution of industrial products including traditional and Hi-Tech industry. There are approximately 100 logistic services companies in Israel and this research was held about the customers and employees of one of these companies.

As stated above, such sample might be considered as a convenience sample rather than random sample. This is mainly so because sampling took place, firstly, at the convenience of the researcher – both regarding the location and the timing of the sampling at "Orion" company ground. However, by many means, including sale volume, customers segmentation and diversification, size, profits, amount of workers, "Orion" is a fair representative of all (approximately 100) Israeli logistic services companies. This is why the sample can easily be considered as a representative sample of the research population.

Furthermore, the researcher's accessibility to the organization facilities, management, customers and workers, proved to be a fruitful virtue with regard to this research. Among these virtues are dozens interviews held with key factors in the company and numerous observations on the operational and business processes the company is engaged at.

Secondly, but not less important, the researcher's acquaintance with the company aided him in gaining access to otherwise classified and confidential data among which personnel information, internal forecasts and business models. Usually, this data is not available to researchers.

On another level, management cooperation and openness also proved to be a very convenient platform over which the researcher formulated his insights regarding this research and the main reason for choosing quantitative research approach over qualitative one.

### **3.4 The sample**

Three random samples were made of business customers and employees through the list that was transferred to the researcher. In each sample different questionnaires were distributed. One questionnaire contained the evaluation of customer service dimensions; evaluation which contained most of the research variables. It included 49 customers out of 482 customers (10.2%); the questionnaires were given to 20% of the customers (96 customers) meaning approximately half (49%) did not fill out the questionnaire following the first, second and third application.

The second sample included questionnaires about the service behavior of the employees which is connected with their emotional intelligence. The questionnaire was filled by 53 customers (11% of approximately 482 customers) all of whom were given questionnaires. In addition the questionnaire filled by 56 out of the 124 employees (45%) concerned the service behavior of the employees which is linked with their emotional intelligence as they believe it is perceived by the customers.

### **3.5 Data sources**

The sources of the data were questionnaires, well validated and in comprehensive use which were transferred to the representing sample of the "Orian" customers and employees. The questionnaires were sent by e-mail and fax in the course of a process that lasted a year and a half. The questionnaires distributed to the customers and employees included the questionnaire "Workers behavior based upon Winsted (2000). The rest of the questionnaires were given only to those who get service and these included five questionnaires concerning the different aspects of service as will be specified later on.

During this process there were unsuccessful attempts to perform the research among the big companies in the Israeli economy such as the "Zim" international ocean Freight Company, "UPS" worldwide business Solutions Company and "UTI" Supply Chain Solutions Company. These attempts did not respond to the minimal requirements of returned questionnaire for the purpose of the research. Another attempt was made which encountered absolute a priori refusal to run the questionnaires among banks.

### **3.6 Instruments and procedures for the acquisition of data**

1. Perceived service innovation questionnaire, based on: Lievens & Moenaert (2000) & Varca (2004).
2. Perceived Emotional Intelligence service provider questionnaire, based on: Varca (2004).
3. Perceived service value questionnaire, based on: Chen & Dubinsky (2003) and Soutar and Sweeney (2003),
4. Affective commitment questionnaire, based on Allen & Meyer (1990).
5. Customer Loyalty questionnaires:
  - 5.1. Word-of-mouth questionnaire, based on: Zeithaml et al., (1996).
  - 5.2. Purchase intentions questionnaire, based on: Allen & Meyer (1990); Zeithaml et al., (1996).
  - 5.3. Price-insensitivity questionnaire, based on: Zeithaml et al., (1996).
  - 5.4. Complaint behavior questionnaire, based on: Zeithaml et al., (1996).
6. Worker Behaviors, based on: Winsted (2000).

The research started with the choosing of questionnaires to examine the research model. After choosing the questionnaires as specified in the following article, a pilot study was held to validate the questionnaires through small sample of the research population including 10 respondents. Following the pilot study some of the items were cancelled as specified in table 1, after the performance of the reliability test.

On the next stage only the reliable questionnaires were taken and these were transferred to the entire group research.

Once data was received a factor analysis was performed with orthogonal rotation to identify independent dimensions in each variable.

Innovation was classified into the following three dimensions: specific for the organization (with 27.7% explained variance), prestige influence (with 26.0% explained variance); efficiency influence (with 17.1% explained variance). The EQ was classified into the two following dimensions: workers external behavior (with 27.8% explained variance) and workers emotional influence (with 21.6% explained variance).

Service value was classified into five dimensions: easy to use (with 21.7% explained variance); worthwhile (with 16.5% explained variance); unacceptable (with 12.5% explained variance); enjoyment (with 10.7% explained variance); effectiveness (with 10.1% explained variance).

Affective commitment was classified into three dimensions: personal meaning (with 27.8% explained variance); familial feelings (with 20.1% explained variance) and happiness (with 16.9% explained variance).

The flexibility of the customer's demand regarding price and also complain behavior of customers were each was classified into two dimensions.

### **3.7 Research tools and data classification**

Questionnaire 1- perception of the research model's dimensions: perceived service innovation, perceived emotional intelligence, perceived service value, affective commitment and loyalty. Originally the questionnaire included 42 items: six items about innovation perception (PSI), six about the customers' perception of the employees' emotional intelligence (EQ), nine items about the perception of service value (PSV), eight items about customers affective commitment (CAC), three items regarding "word of mouth" (WOW), two items about purchase intentions (PI), four items about price insensitivity (PrIn) and four items about the customers' complain behavior (COM).

Questionnaire 2- the **customer's** perception of employee's service behavior dimensions which is linked to their emotional intelligence. This questionnaire included 96 items which were minimized after the cancellation of duplicate questions and the reliability test of 62 items and were averaged into one variable through the means of all the items.

Questionnaire 3- the **employees'** perception of service behavior (the same questionnaire as in the previous item- only it was directed to the employees).

The variables of the research includes 3 independent variables (**innovation, EQ** and the **employees'** perception of service behavior); 2 mediator variables (**CAC: Affective Commitment, PSV: Perceived service value**) and 4 dependent variables as well as demographic variables; age and gender group. Eight variables and their dimensions are specified in the following table 10.

### **3.8 Limitations of the methodology**

The survey is delimited to the customers of a company who can usually be characterized as pleased customers. The displeased customers most probably left the company and are not included in this survey. Thus, some of the distributions of the items are diverted upwards and the measuring sensitivity is relatively low.

### **3.9 Variables and symbols**

#### **Dependent variables**

**Word of Mouth (Net promoter score) ,Purchase Intention, Price Insensitivity,  
Complaining**

#### **Mediator's variables**

**Customer Affective Commitment, Perceived service value**

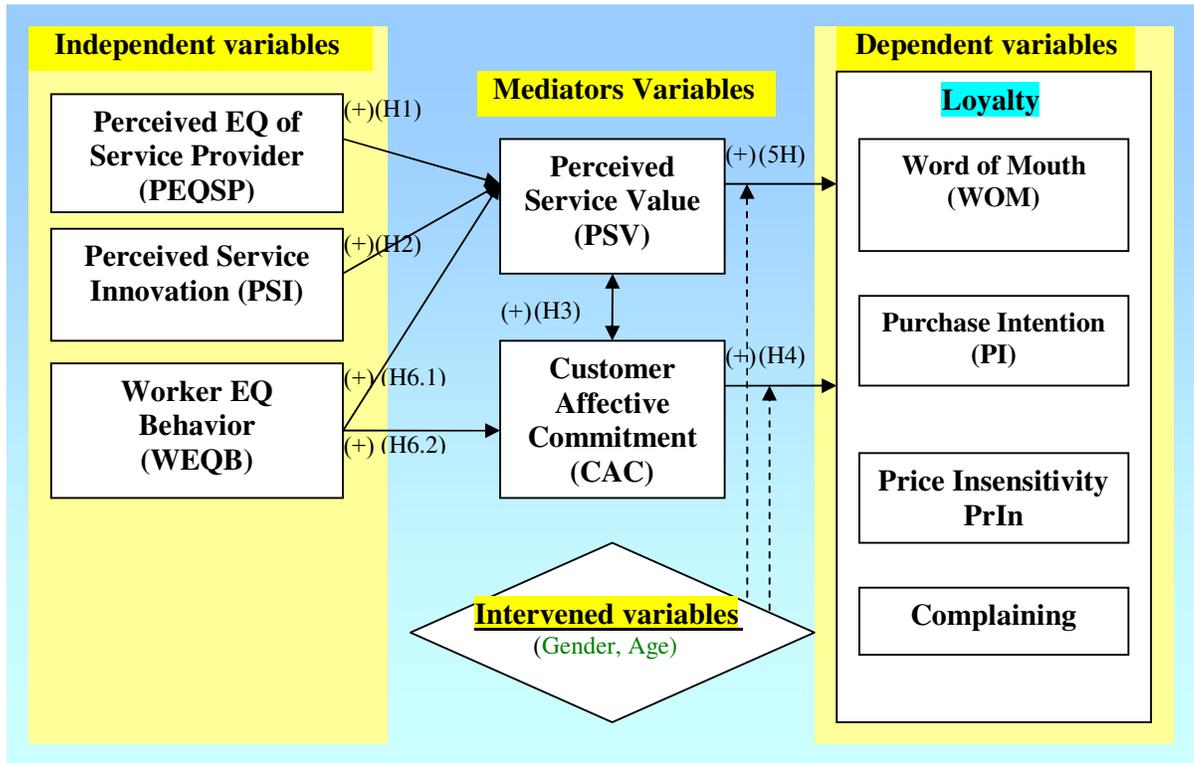
#### **Intervened variables:**

**Gender, Age**

#### **Explain (Independent) variables**

**Perceived EQ Service Provider, Perceived Service Innovation, Worker EQ  
Behavior.**

### 3.10 Research Model<sup>1</sup>



### 3.11 Research hypotheses

**H1:** A positive correlation will be expected between: Perceived EQ service Provider (PEQSP) and PSV.

**H2:** A positive correlation will be expected between: PSI and PSV.

**H3:** A positive correlation will be expected between: PSV and CAC.

**H4.1:** A positive correlation will be expected between: CAC and WOM.

**H4.2:** A positive correlation will be expected between: CAC and PI.

**H4.3:** A positive correlation will be expected between: CAC and PrIn.

**H4.4:** A positive correlation will be expected between: CAC and COM.

**H5.1:** A positive correlation will be expected between: PSV and WOM.

**H5.2:** A positive correlation will be expected between: PSV and PI.

**H5.3:** A positive correlation will be expected between: PSV and PrIn.

**H5.4:** A positive correlation will be expected between: PSV and COM.

**H6.1:** A positive correlation will be expected between: Worker EQ Behavior

<sup>1</sup> R= Worker response; T= Perception of Time spent; Q=Quantity

(WEQB) and PSV.

**H6.2:** A positive correlation will be expected between: WEQB and CAC.

### **3.12 Ethical issues**

Each respondent was asked to fill a hand signed affidavit that he agreed to participate in the research willingly and that the data of the same would be used for research purposes only. No benefit was given to and no sanctions were held against the research participants.

## **Chapter 4 – The research procedure**

Following the pilot study with 10 customers, as specified before, some variables were removed which were not found to be valid for the research customers; other validated questionnaires were structured which served this research. These questionnaires were tested through the reliability test again, as will be specified later on. At first analysis of the factors was held to minimize the amount of variables and to avoid Multicolinearity in case of multiple regressions.

### **4.1. Data analysis**

#### **4.1.1 Reliability of the final data and data reduction**

Before examining the reliability, the items were diminished into factors.

**Table 11** presents the innovation data. All six data are classified into three factors together explaining 70.8% of the overall variance.

**Table 12-** presents the data of emotional intelligence. All six data are classified into two factors together explaining 49.4% of the overall variance.

**Table 13** – presents the data of service value. All ten data are classified into five factors together explaining 71.5% of the overall variance.

**Table 14-** presents the data of "Orion" customers' affective commitment to it. All six data are classified into three factors together explaining 64.8% of the overall variance.

### **4.2 Limitations of the research**

The research was held among the customers and employees of one organization only because other organizations the researcher applied to refused to cooperate. Other organizations that did collaborate were disqualified due to insufficient quality concerning the completeness of the transferred data, caused by the intricacy of the questionnaires, their length or perhaps due to the unwillingness of the respondents to delve into them. The problem was exacerbated particularly due to the wish to create a general model which is mutual for employees as well as customers and which includes all the data in their entirety. Hence it may be said that it is pretentious to determine the conclusions deduced, may apply to other organizations as well or even to the entire logistic services branch. In this sense, this research can be considered more as a model test than a hypothesis test, although its uniqueness and pioneering constructs and findings can easily be validated by examining them in different

business environments. Secondly, "Orian's" relationship with its customers which was expressed through the answers in the questionnaires and the statistical analysis is unique for the researched organization only. Thirdly, the long period of time devoted for the collection of questionnaires, did in some way lessen something of the research focusing while there could have been a situation in which the respondent answered about the same situations after time gaps during which changes were generated in the organization. The fourth reasons may be that the customer filled the questionnaires according to their perception of the service providers they encountered. Clearly the level of the service employees is not uniform and the same is true about their level of service provision or their emotional intelligence capabilities. That is to say, each customer related to the issue individually based on the performance of the employees who served him and not to "Orian" as homogeneous organization which is characterized by specific capabilities.

## **Chapter 5 – The research findings**

### **5.1 Examination of the research hypotheses**

According to the analysis of the research hypotheses there is a need to examine if the demographic variables – age and gender group- impact the dependent variables in order to handle that impact in the analysis of the findings. Table 27 shows that there is no significant connection between the demographic variables and the independent variables which is why there is no need to neutralize their impact in the analysis.

Analyzing the factors of the explaining variables (Table 28) characterizes them with one factor explaining 85.9% of the variance in which the variable PSI is most strongly connected with the factor (0.91). EQ explains only 9.7% of the variance; PSV explains only 3.4% and CAC only 1.1%. That is to say that the explanation is in fact granted by one central factor connected with the PSI. The other variables have relatively marginal value. EQ leads in all the other explaining variables.

However, it should be noted that the term "explaining variables" is used in the context of variables which (supposed to) have an impact over the dependant variables. As such this term refers to independent variables as well as mediating variables.

Furthermore, as a "byproduct" of the full path analysis process that will be presented hereafter, these findings are of descriptive nature and should not be viewed as part of the inference process.

#### **H1: A positive correlation will be expected between: PEQSP and PSV.**

Table 30 points at significant positive correlations between all the dimensions of perceived service value and all the dimensions of the EQ of the service providers as it is perceived by the customers. The strongest link exists between the PSV: Attractive and loyal and the general grade of the EQ as it is perceived by the customers ( $p < 0.001$ ,  $r = 0.59$ ). The overall view of the equation system through Structural Equation Model (SEM) as described in "Path Analysis" (appendix 12) did not show direct or indirect connection between the variables. That was so since the other connections in the model were considered which disqualify that connection through the manner in which the moderate variable disqualifies the connection which seemingly is a direct one between the variables.

**That hypothesis was supported only in the direct connection test but not through the overall equation system using SEM.**

**H2: A positive correlation is expected between: PSI and PSV.**

Table 31 points out significant positive correlations between all the dimensions of service value perceptions and between the perceptions of innovation in service in the eyes of the customers. The strongest connection is with the PSV –efficient and the PCI ( $p < 0.001$ ,  $r=0.55$ ). However also the PSV\_attractive is most significant ( $p < 0.001$ ,  $r=0.50$ ). The overall view of the equation system through SEM as described in "Path Analysis" (appendix 12) shows strong connection was indeed found 1.33 in standard values. That connection supports the hypothesis.

**The hypothesis was supported.**

**H3: A positive correlation is expected between: PSV and CAC.**

Table 32 points at significant positive correlations existing between all the dimension of perceived service value and between all the customer affective commitment dimensions. The strongest connection was found between the general grade of customers affective commitment (CAC\_TOT EC: Affective commitment) and the PSV\_efficient ( $p < 0.001$ ,  $r=0.63$ ). All the other connections are also significant while the relatively weakest one among them is between CAC\_FF EC: familial feelings and between PSV\_TOT perceived service value 1 ( $p= 0.008$ ,  $r=0.34$ ). The overall view of the equation system through SEM as described in "Path Analysis" (appendix 12) shows causal connection in the equation system pointing out that the results corroborate the hypothesis. There is direct connection between PSV and CAC (0.26).

**The hypothesis was supported.**

**H4.1: A positive correlation will be expected between: CAC and WOM.**

A most significant positive connection was found among all the dimensions of CAC and WOM (table 33). The highest correlation is with the variable "CAC\_R EC: Recommendations" ( $p < 0.001$ ,  $r=0.886$ ). However, the low connection is also significant and strong with total affective commitment ( $p < 0.001$ ,  $r=0.535$ ). The overall view of the equation system through SEM as described in "Path Analysis" (appendix 12) shows positive connection (0.43) in standard values. That connection supports the hypothesis.

**The hypothesis was supported.**

**H4.2: A positive correlation will be expected between: CAC and PI.**

Very strong positive significant connection was found among all the CAC dimensions and the PI (table 34). The highest correlation is with the variable "CAC\_R EC: Comfort feelings" ( $p < 0.001$ ,  $r=0.546$ ). However, the low connection is also significant and strong with total affective commitment and purchase intention ( $p < 0.001$ ,  $r=0.495$ ). The overall view of the equation system through SEM as described in "Path Analysis" (appendix 12) shows positive connection higher by 2.26 in standard values. That connection supports the findings of the hypothesis.

**The hypothesis was supported.**

**H4.3: A positive correlation will be expected between: CAC and PrIn.**

No significant positive connection was found among any of the CAC dimensions and the price insensitivity PrIn (table 35). The lowest correlation is with the variable "CAC\_R EC: Familial feelings" ( $p= 0.364$ ,  $r=0.051$ ) and the highest with the variable "CAC\_TOT EC: Affective commitment" ( $r=102$ ,  $p=0.185$ ). Even the overall view of the equation system through SEM as described in "Path Analysis" (appendix 12) did not find direct connection between the variables but only indirectly (0.2) through the purchase intention (PI) which is very strongly attached to CAC (2.26).

**This hypothesis was not supported.**

**H4.4: A positive correlation will be expected between: CAC and COM.**

Significant negative connection was found between Complaining (COM) and the following dimensions of CAC (table 36): the highest correlation is with "CAC\_TOT EC: Affective commitment" ( $p=0.028$ ,  $r=-0.274$ ); "CAC\_TOT EC: Affective commitment" ( $p=0.028$ ,  $r=-0.274$ ); "CAC\_FF EC: Familial feelings" ( $p=0.046$ ,  $r=-0.244$ ). There is borderline negative connection with the variable "CAC\_R EC: Recommendation" ( $p=0.066$ ,  $r=-0.218$ ); for "CAC\_CF EC: Comfort feelings" no significant connection was found with COM ( $p=0.101$ ,  $r=-0.186$ ). The overall view of the equation system through SEM as described in "Path Analysis" (appendix 12) only found indirect connection through purchase intentions (PI) which is very strongly attached to CAC (2.26). COM is connected with PI through weak connection (0.02). That connection points at different causal source for the connection found in direct correlation and inverted to it. That is to say, the complain behavior of the customers is connected through positive weak connection with the purchase intention which is

very much connected with the customer's affective commitment. Hence, ultimately, complaints are positively and not negatively connected with the customer's affective commitment.

**The hypothesis was not supported. There is negative and not positive connection between CAC and COM. The comfort sensation does not have significant connection with customers' complaints and the recommendation is within negative border connection with customer's behavior.**

**H5.1: A positive correlation will be expected between: PSV and WOM.**

Significant positive connection was found between all the PSV dimensions and the WOM (table 37). The highest correlation is with the variable: "PSV\_efficient PSV: Efficient" ( $p=0.002$ ,  $r=0.414$ ); however the low connection is also significant and strong with total perceived service value and with WOM ( $p=0.004$ ,  $r=0.379$ ). Even the overall view of the equation system through SEM as described in "Path Analysis" (appendix 12) direct connection was found between the variables (0.43).

**The hypothesis was supported.**

**H5.2: A positive correlation will be expected between: PSV and PI.**

Significant positive connection was found between all the PSV dimensions and the PI (table 38). The highest correlation is with the variable "PSV: Attractive and Loyal", ( $p < 0.001$ ,  $r=0.562$ ). However the low connection is also significant and strong with total perceived service value and with PI ( $p < 0.001$ ,  $r=0.462$ ). The overall view of the equation system through SEM as described in "Path Analysis" (appendix 12) showed positive connection between the variables (0.53); meaning, the model supports that hypothesis.

**The hypothesis was supported.**

**H5.3: A positive correlation will be expected between: PSV and PrIn.**

No significant positive connection was found between any of the PSV dimensions and the insensitivity to the price PrIn (table 39). The highest is with the variable "PSV: Attractive and Loyal" with borderline result ( $p=0.054$ ,  $r=0.232$ ). Even through overall view of the equation system through SEM as described in "Path Analysis" (appendix 12) no direct connection was found with the variables. There is indirect connection between the variables through the mediating variable PI. PrIn is positively connected with PI (0.20) and PI is positively connected with PSV (0.53)

**The hypothesis was not supported**

**H5.4: A positive correlation will be expected between: PSV and COM.**

Significant negative connection was found between all the PSV dimensions and the COM (table 40). The highest correlation is with the variable "PSV: Attractive and Loyal" ( $p < 0.001$ ,  $r = -.510$ ). However the low negative connection is also significant and strong between the total service value perceived with COM ( $p = 0.048$ ,  $r = -.024$ ). However, in the overall view of the equation system through SEM as described in "Path Analysis" (appendix 12) strong positive connection was found (1.77) between the variables which supports the hypothesis of the research.

**That hypothesis was supported only according to the SEM analysis, but not through the direct connection test.**

**H6.1: A positive correlation will be expected between: WEQB and PSV.**

Contrary to the hypothesis in the SEM model, significant negative connection was found between Worker EQ Behavior (WEQB) and the Perceived Service value (PSV) -2.03 standard deviation.

**The hypothesis was not supported.**

**H6.2: A positive correlation will be expected between: WEQB and CAC.**

Contrary to the hypothesis in the SEM model, significant negative connection was found between Worker EQ Behavior (WEQB) and Customer Affective Commitment (CAC)

**The hypothesis was not supported.**

### **5.1.1 Other findings**

Comparison of the mean evaluation grades given by the "Orian" employees to themselves in relation to the customers is not part of the research model's hypotheses; however this comparison could help with the identification of areas in which there are salient gaps between the perception of customers and the perception of the service providers.

The most salient gaps in which the "Orian" employees evaluated themselves higher relatively to the customers were in the following items: "Provided bad service" (through inverted scale) - the "Orian" employees granted themselves the mean grade

of 4.76 while the customers granted them the mean grade 1.57 only. That is to say that the "Orian" employees evaluate themselves as much better service providers than the estimation of the customers ( $p < 0.0001$ ). Similar gap exists about the item "ignored me" (through inverted scale)- the "Orian" employees granted themselves the mean grade 4.38 as opposed to the customers who granted them the mean grade of 1.55 ( $p < 0.0001$ ). That gap may be explained in that the employees did not justly grasp the perception of the customers in that dimension and in order to minimize that gap they must improve the following EQ dimensions: "social awareness" and "relationship management" (Goleman, Boyatzis & McKee 2002). In the variable "has a bad attitude" (through inverted scale) there is also a gap while the employees granted a mean grade of 4.76 as opposed to the 3.11 given by the customers ( $p < 0.0001$ ). Again, different perception of the customers is revealed regarding the attitude they get from the employees. The researcher believes it stems through the lack of knowledge and/or instruction of the employees. Regarding the item "was very abrupt" (through inverted scale) the employees granted the mean grade of 4.6 as opposed to the 1.68 given by the customer ( $p < 0.0001$ ). That gap too characterizes a behavior problem which is perceived by the customers differently than it is perceived by the employees. In the item "did not smile at me" (through inverted scale) the employees granted the mean grade of 4.71 as opposed to the customer who only granted 3 ( $p < 0.0001$ ). In the item "acted rudely toward me" (through inverted scale) the customer granted a mean grade of 3.22 as opposed to 4.78 by the employees ( $p < 0.0001$ ).

The researcher believes that with references to the discussion of the last items the employees lack dimensions of empathy which many researchers position in the first lines of the dimensions that improve and fertilize relationships (for example: Matthews et al., 2002). Regarding the item "inefficient" (through inverted scale) the mean grade of the employees was 4.76 as opposed to 1.72 given by the customers ( $p < 0.0001$ ). The gap in that item reflects the inefficiency of the employees as perceived by the customers. This is a most meaningful point since it may impact on the equality of the service the company grants its customers. In the item "indifferent" (through inverted scale) the customers think that through that item it is possible to characterize the behavior of the employees as somewhat indifferent unlike the approach of the employees to the same. Regarding item "seemed distant" (through inverted scale) the employees granted the mean grade of 4.62 as opposed to the customers who granted them only 1.77 points. The customers characterized the behavior of the employees as

formal and distant. The researcher believes that there is lack of emotional connection in this case that Butz and Goodstein (1996) consider as substantial added value to the relationships between customers and the frontline employees of the service organizations. Similarly reference may be made to item "treated me as a number" (through inverted scale) when the employees granted themselves the mean grade of 4.33 as opposed to the customers who only granted them the grade of 1.66 ( $p < 0.0001$ ). In item "did not provide complete service" (through inverted scale) the employees granted themselves the mean grade of 4.56 as opposed to 2.96 granted by the customers ( $p < 0.0001$ ). The discussion of this variable positions a gap of expectations according to which the customers expect a more extensive and comprehensive service as it was specified by Ehrenberg et al., (2000); Brown (2001) and White & Schneider (1998). In item "concern" (through inverted scale) the employees granted themselves the mean grade of 4.20 as opposed to 1.68 given by the customers ( $p < 0.0001$ ). That gap represents the measure of emotional restlessness among the employees that leads the customers to perceive them as being troubled. Within the same context it has been argued by Goleman (1995; 1996; 1998) that people should learn how to conduct their emotions. People with high skills in this area may overcome obstacles and hurdles all along the road with more facility and while returning swiftly to calmness and relaxation following their being in various stress situations. Similarly to that in item "seemed distracted" (through inverted scale) the employees granted themselves the mean grade of 4.45 as opposed to 2.99 given to them by the customers ( $p < 0.0001$ ). In item "seemed to be interested in business only" (through inverted scale) the employees graded themselves with the mean of 4.4 while the customers granted them 1.91 ( $p < 0.0001$ ). In this case too, lack of emotional connection is discerned just as in the item "did not look me in the eyes" (through inverted scale) in which the employees granted mean grade of 4.40 as opposed to 1.87 by the customers ( $p < 0.0001$ ). In the item "displayed no sense of humor" (through inverted scale) the employees graded themselves with the mean grade of 4.27 as opposed to 1.91 granted by the customers ( $p < 0.0001$ ). The use of sense of humor at work and in general is supposed to contribute to the improvement of the relations but one should remember that this subject depends on the common culture. In the item "acted arrogantly" (through inverted scale) the employees graded themselves with the mean grade 4.48 as opposed to 3.02 granted by the customers ( $p < 0.0001$ ). Here too one can expect greater empathy on the part of the employees. In item "anticipated my

needs" the employees granted themselves the mean grade 4.61 as opposed to 3.75 granted by the customers ( $p < 0.0001$ ). In this item too, the customers expect more from the employees regarding response to the prediction of their needs. It may be said that the service organizations should have service oriented awareness. They should translate that service consciousness into service ability which is demonstrated by the front line employees. Researches proved that service awareness which includes: expectation, attention and the ability to conduct relationship, gain expression through forms of interpersonal capabilities, communication skills and empathy (Morris & Feldman, 1996; Zeithaml et al., 1996) which meaningfully improve the satisfaction of the customers. In the item "was very attentive" small gap was discerned with a mean of 4.61 points by the employees as opposed to 4.07 granted by the customers ( $p < 0.0001$ ). In this case too, the customers expect the employees to be more attentive and considerate. In item "answered all my questions" the employees granted a mean grade of 4.76 as oppose to 4.15 granted by the customers ( $p < 0.0001$ ). Here again, the customers expect getting answers for any question that is instigated.

In the item "was very competent" inverted trend is discerned from that which has been described so far. The employees graded themselves with the mean of 3.80 as opposed to 4.42 granted by the customers ( $p < 0.0001$ ). The researcher thinks that the customers do appreciate that the employees are capable of more and that they do have substantial potential for improvement. Apparently that potential is based on large and quite long infrastructure of good and reliable relationship with "Orian". The analysis of that result is interesting because the researcher believes that it points at the trust that the "Orian" customers feel for the company and it improves the potential for the improvement of their relationships in the future. Within this context there is the research of Bhatti et al., (2001) who determined that the relationship which is based on trust is the major leader towards long term and true loyalty relationships.

## **Chapter 6 – Discussion**

The model which was found to be valid in this research describes the relationship in service behavior and the perception of customers in general which does not depend on demography (age and gender group) of the customers or the service providers. The explaining variables are very much interconnected with one factor in which "perceived service innovation" is the major component ( $r=0.91$ ). There are also few dependent variables in that model which is why the statistical model that was chosen was the SEM which well described and through high level of reliability the connection in the model, beyond the basic correlations that were performed in the examination of the hypotheses.

Emotional intelligence leads in the explanation of the service value and correlates literature regarding the impact of emotions on commitment and following that, the customer's loyalty. The findings are interwoven with the assertions by Calabro (2005); Ritson (2004); Favilla (2005) and Costabile et al., (2003) according to which the customer who is emotionally loyal develops a relationship and strong and solid contact with the company and that it is most probable that the same customer would serve as the company's good will ambassador. Similar approach was developed by Zaichkowsky (1987b) which established that the major dimension in the process of buyers' involvement with brands is the emotional dimension. This is similar to the ruling of Oliver (1997) according to which in many processes of purchase decisions the person buys emotionally and intends to interpret his purchase rationally (to himself and to others). The rationale need to explain the emotional purchase is engraved in many people and it stems through inner wish not to enter a state of cognitive dissonance (Assael, 1992). Within this context Derbaix (1995) determines that people are trying to explain their feelings rationally but they cannot always do it since in many cases they are unable to thoroughly identify the emotional state they are found in.

The dimension of emotional intelligence are expressed through many and intricate behavior dimensions which are relevant in the comprehensive area of behavior sciences in general and in the business area in particular. Within this context the findings by Salovey & Myer (1990) reach the insight that emotions do have impact potential on the abilities of the employee to solve problems and that these are most

important in the business area. Indeed in the EQ area, the major dimension which was expressed in the present research is that of "Workers External Behavior"- the intelligent use of intense feelings by the borderline employees which focuses the attention of the employee on solving the most urgent and important problems. Thus they also contribute to the enhanced adaptation capability which would help the employee when coping with similar situations in the future. That adaptation ability is supposed to help with the creation of emotional connection with the customers. Customers expect to gain emotional connection as part of the service package (Simms, 2003; Greenbaum, 2000). Organizations which will succeed in assimilating the culture of emotions which is also based on empathy and respect would gain higher level of trust and loyalty among their customers. This finding about the connection between the level of emotional intelligence of the service providers in the frontline and the loyalty of customers was supported in many researches (for example: Cooper & Sawaf, 1997; Bardzil & Slaski, 2003). The emotional intelligence of the employees should be supported by the suitable intra-organizational activities. On that subject there is ample importance to the nature of the employee's connection with the organization. A strong, supporting, fertile and empathic connection within the organization will fertilize, shape and improve the connection of the frontline employee with the customer (for example; Bhatti et al., 2001). Accordingly, employees who are not happy and dissatisfied would find it difficult to maintain fertile connection with their customers which should be based on tangible utility on the one hand and on the "provision" of positive emotions on the other hand which are supposed to strongly strengthen the reciprocal relations with the customers (for example; Greenbaum, 2000; Pine & Gilmore, 1999)

In the SEM model, the emotional intelligence of the employees is linked with the effective commitment of the customers (CAC) and thus the importance of developing emotional intelligence among the employees is enhanced. The commitment forms continuous tendency of the customers towards the establishment of relationship with the firm which is based on the package of emotional connections (affective aspect) that stem from the aspiration for relations that could contribute utility to them (cognitive aspect) (for example; Brown et al., 1995; Gundlach et al., 1995).

The emotional intelligence (EQ) of the employees impacts all the dimensions of the perceived service value (PSV) as these are perceived by the customers. A particularly strong connection was found between the dimension PSV: "Attractive and loyal" and

the general EQ grade as it is perceived by the customers. In this case too, the basis is the value of creating loyalty and strengthening the connection between the customer and the company. Customers intend to evaluate loyalty programs that grant them benefits that also combine emotional value; the result of that could be expressed for example through the sensation of belonging. The more the programs integrate positive emotions thus they become more and more attractive in the eyes of the customers. That is particularly so when compared to the suggestions of the competitors, that dimension is missing (Youjae & Hoseong, 2003; Gruen, 1994). That attractiveness yields meaningful added value to the firm when it decreases the defection of customers and increases- as per the perception of the customers- the overall price of "switching costs"(Lam et al., 2004; Wirtz & Mattila, 2003).

The road towards reaching the customer is by creating an experience for him. These days, when the experience economy serves as dominant factor in the business environment (Gilmore & Pine, 1997) the customer does not only expect experience but even demands it. The organization interested in developing that capability must grant attention to the total experiences and experiencing of the customer while building and assimilating cultural system that ensures emotional experience for the employees too and not only for the customers. For, dissatisfied employees who are not connected with their emotions cannot grant or provide any kind of emotional value to the customers (for example; Ashkanasy et al., 2002; Krepapa et al., 2003; Price et al., 1995; Roberts et al., 2003; Spencer, 2002).

Within the same context Butz & Goodstein (1996) see added value for the customer in the package of emotional connections that is transferred to him by the firm. Success with the transference of that added value leads to substantial increase in the rate of the repeated purchases and the building of established relationship with far longer expectancy than the routine relationships that lack emotional connections. Ravald & Gronroos (1996) also emphasize the fact that creating a solid relationship with the customers which is integrated with emotions, is characterized among customers through strong, emotional connection. The customers internalize it and are not defection the firm that creates that emotional value when they are exposed to attractive offers by the competitors. It is easy to compete about commodity, but emotional value creates differentiation and that is more difficult for imitation or competition. Sweeney & Soutar (2001) held a similar approach and their findings showed that the emotional value is the strongest predictor of the consumers' purchase

intentions in specific shop. Shaw (2007) also presented value dimensions in the behavior area opposite the customer which combine emotions and cause a special, individual and personal attitude making the customer feel that "he is appreciated". Once the customer feels appreciated then naturally he will aspire to reach a state in which that sensation will continue to escort him for a long time. Shaw argues that the intensity of the emotional dimension is true and constitutes 50% of the customer's experience. Shaw divided the value into four clusters while the uppermost cluster in the pyramid "advocacy" includes only two feelings: happiness and pleasure; (happy: a feeling showing or causing pleasure and enjoyment; pleasure: a state of heightened satisfaction). Preserving and thickening that cluster would meaningfully intensify the emotional connection of the customer with the firm including all the comprehensive meanings embodied in that. Many organizations still did not internalize that and it is expressed through their focusing only on the activities concerning physical and tangible aspects of customer experience. In the services area, especially in those that include a lot "moments of truth", it is possible to characterize value for the customer that is missing of emotions and experience elements as conservative with limited time expectancy.

Thus it is interesting to see what is unique in the service innovation, for service is not a tangible product and the innovation in it differs from innovation regarding products (for example; Alter & Butman, 2005; Gallouj & Weinstein, 1997; Preissl, 2000).

All the dimensions of perceived service value (PSV) are positively connected with the perception of service innovation by the customers. "PSV efficient" and also "PSV attractive" are conspicuous in that connection. Following these findings it may be said that innovative service grants added value to the customers mainly in the areas of efficiency and attractiveness. Quite a lot of researches support that findings while the attractiveness should be expressed through improved commercial indexes (higher commercial attractiveness) such as increase in sales, decrease of costs, ability to raise prices, improve profits and more (Urban & Von Hippel, 1998; Lilien et al., 2002). Gadrey et al., (1995) refer to the efficiency dimension while indicating that the importance of innovation in service should be expressed through improvement of the business customer's efficacy which in turn should decrease its costs even through the improvement of the service level he receives. Things are expressed through improvement of the dimensions of service quality that grant it value such as;

responsiveness, accessibility, communication, competence and so on (Berry & Parasuraman, 1991).

On the other hand, attractiveness gains an additional direction, beyond the tangible, commercial and measurable dimensions which are expressed through the increase of the customer's value in the business environment in which he is perceived as one who makes the right decisions – usually increase his reputation.

In addition, creating continuous added value for the customer which is based on long term service innovation grants the organization durable competitive advantage over its competitors which is expressed through long term and fertile relationships with the customers that improves their loyalty level (for example; Amable & Palombarini, 1998; Aranda & Fernandez, 2002).

All the perceived service value (PSV) dimensions are positively connected also with all the dimensions of the customers' affective commitment (CAC); hence there is ample importance in having the service providers improve the value of the service in the eyes of their customers. The commitment of the customers was found to be very much connected with "PSV Efficient". It should be accentuated that affective commitment which is based on a package of emotional connections (affective aspect) should be complemented through tangible bonuses (cognitive aspect) that grant the customer tangible value dimensions such as: utility, performance, design, availability, time, place, price etc. (for example: Brown et al., 1995; Gundlach et al., 1995). In the sharp competition that characterizes markets at present, there is a need for more than just addition of tangible value only. Accordingly, in order to strengthen and preserve the commitment of the customer for a long time there is a need to increase the value for the customer also in areas such as granting swift and effective response to new trends in the business environment. Things may be assisted by enhancement of the efforts during data mining from efficient CRM systems (for example: Drucker, 2000; Seybold et al., 2001) or through early identification of the marketing trends through experts on the subject or trend researchers (Adam & Ronvcevic, 2003).

All the CAC dimensions are connected with all the WOM dimensions- a recommendation dimension which according to Shaw (2007) express the loyalty of the customer. Indeed the highest correlation was found with the variable "CAC\_R EC Recommendation". It should be emphasized that the recommendation is a crucial component in the examination of the customer's loyalty. That finding was supported

also by Bloemer et al., (2003) who determined that "affective commitment" serves as major factor motivating customers to recommend the product/service to their friends (WOM) – a fact that very much invigorates their purchase intentions and even more than that. WOM clearly expresses the positive experience with the service and the service layout. The research by Shaw (2007) supports that finding. One of the important value dimensions that characterize "social network value" reflects the additional business turnover of the firm which stems through positive word of mouth recommendations of pleased customers. The firm that nurtures the dimensions of "social network value" is accordingly expected to reap blessed fruits in the form of substantial increase in its sales. Reichheld (2006) found out that high perceived value for the customer has important positive impact on the positive WOM recommendations as the major component of customers' loyalty. WOM is also positively linked with the total affective commitment. Within that context it was found out by Patterson and Ward (2000) and by Narayandas (1998) that commitment of customers to service providers increased the more their exposure measure to the positive word of mouth recommendations. The discussion on this subject leads to clear insight regarding the two-way mutuality between the two variables WOM and CAC; while successful management of "affective commitment" increases the intensity of the use customers make of positive WOM recommendations and vice versa. The message to the managers on this issue is unequivocal, clear and transparent: do all you can so the borderline employees can manage in the best possible way (rationally and emotionally) the entire connection layout with the customers in order to increase their level of affective commitment to the organization and create meaningful marketing lever for growth and profitability through the positive recommendation of the satisfied customers to their friends.

In the same matter but within different context, Reichheld (2003; 2006) developed the methodology of NPS- Net Promoter Scores, through which it is possible to characterize the true loyalty of the customers and turn it into a lever for the future growth of the firm. The salient advantage of that method is the ability to identify who are the satisfied customers, those who will recommend the brand or company to their friends and who are the customers who are not pleased indeed and who in the good case will abandon in favor of the competitor with better service and in the worst case will spread their negative experiences to many others. Shaw (2007) found out that

older customers have more intention to be promoters than the young customers. In the highest value cluster "advocacy" it has been found that 92% of the mature customers had intention to be promoters as opposed to 81% only among the young customers. The young customers in that research are called "cynical" and "difficult to achieve"- that fact leads to the insight that obtaining young customers is an intricate mission. All the CAC dimensions are connected through simple positive contact with all the dimensions of PI particularly with the variable "CAC\_R EC: Comfort feelings". There is also connection with the total affective commitment and purchase intentions. That finding was also supported by Bloemer et al., (2003) who established that affective commitment of customers very much decreased their sensitivity to the price. This finding leads to clear insight about the many advantages of the affective commitment which in this case softens the defection plans of the customers as well as changes somewhat the flexibility of their traditional demand towards the direction that is desired for the firm. Nevertheless, the positive connection found exists also in the overall seeing of the equation system in the SEM model.

The strong positive connection found between the CAC and the PI through simple correlation was found to be very strong in the overall model. It would have been expected therefore to have positive connection between CAC and PSV, so that the PSV is the mediator variable. Indeed, it has been found that such connection does exist. That is to say, the positive connection between CAC and PI is a key connection for understanding the true reason for the connection in the model.

No positive significant connection was found between any of the CAC dimensions and the price insensitivity PrIn (table 35). The lowest correlation is with the variable "CAC\_R EC: Familial feelings" and the highest is with the variable "CAC\_TOT EC: Affective commitment". Even through the overall view of the equation system through SEM no direct contact was found between the variables, but only an indirect one, but strong (2.26) through the purchase intentions (PI). That is to say, that seemingly it was expected that commitment would at least cause sensitivity to the price- but this is not so; the customer who feels commitment towards the company wants it to take special care of him as part of the "extensive family". For some customers there is more price insensitivity and at the summary of the compensating result- the connection between the variables is cancelled.

Seemingly affective commitment (CAC) has negative connection with complaints (COM) but in the causal model it has been found to be indirectly positively connected through the mediator variable PI. Complain behavior of customer may on the one hand express care and affective commitment to the organization-the customer who sees himself as connected with the organization for the long run, feels that he cares about that which is happening and that is why it is important for him to settle his expectations with the service level; meaning, to solve his problems and complaints through his contacts in the organization. On the other hand, if the customer is complaining to external authorities or tells other customers about it then clearly he has problems with the firm which are not solved to his satisfaction. In such case clearly a negative WOM is formed which is most harmful for the organization in the long run. The findings of this research indicate that regarding the "Orian" company, the complain behavior characterizes customers who are not committed to that organization. The more the behavior is "more complainant" – especially towards extra-organizational factors- thus the affective commitment is decreased. This index may serve as criterion for the company regarding the safety level in the connection between the company and its customers. Positive connection in that index points at proper and constructive relations between the company and its customers. That connection has few dimensions through which the company may focus its efforts towards the customers: familial feelings, recommendations and comfort feelings. The key to that connection is "purchase intention"; meaning, how much the customer sees his relations with the company as continuous or random. The higher the "purchase intention" thus the commitment is high and the complain behavior of the customers decreases. In fact the positive aspect that was found is between "complaints" and "purchase intentions" and not with "customer commitment". When a customer sees himself as continuing to buy at the company he will complain to the organization, so that his next purchase experience would be better. The customer believes that there is someone who is listening to him and taking care of the complaints. If a customer is "captive" due to various compulsions (such as monopoly) and is obliged to the company through compulsion- the complaints would bear destructive nature for there is no competition anyway and there is no one who really cares about taking care of the complaints.

It may be said that the perception of the customer's complaints as "business opportunity" and the swift and efficient handling of the complaint including swift recovery from service failure may make the difference between the rate of preserving customers of the firm and the rate of loyal customers relatively to the competition. Adding emotional value which is escorted by effective and active treatment of service failures is the best strategy for turning difficult situations of service failures into fertile relationships and renewed business opportunity which is based of the customer's satisfaction beyond his expectations. That strategy is based, as explained above also on emotional, mutual connections and is one of the most efficient tools for enhancement of customer loyalty (Greenbaum, 2000; Reichheld, 1996; Oliver, 2006). High perception of the service value expresses also trust in long term relations and that in the next interaction the service provider will improve his service level. Therefore the complaint of customers directly to the firm, serves as indication that they are grasping the value of service as high.

However, these conclusions should be viewed in a more narrow perspective, mainly because, as stated above, that the focus of this research is on intangible innovation and emotional perception, as is produced in the course of the services process and as perceived by the customers. This is substantially more so where interactions take place between individuals or groups of individuals, whether within B2B or B2C commerce, and relatively not so where interactions are not "personal" (for example e-commerce and e-loyalty).

The purchase intention is very much connected with the perception of service value and especially with the dimension of service value "attractive and loyal". Within this context the research of Sheth et al., (1991) characterized five different value dimensions: functional, social, emotional, epistemic and image. At least two dimensions of the five connect with emotional value; emotional value and social value which focus on the benefits that the customer gains through the enhancement of this sensations and /or his emotional state, while success in transferring the value is supposed to enhance the purchase intention and the loyalty to the firm.

The perception of the service value was not found to be directly connected with the price insensitivity but through the mediator variable "purchase intention" while there was the intention to make another purchase anyway- the price is not the dominant

component in the decision, depending of course on its height. Within this context it has been found that when a customer feels familial sensations then he will expect consideration and decrease on the price and he will not demonstrate lack of flexibility about the price. The price is pragmatic and direct component for the customer, beyond emotional values. It is translated into operative meanings when there is a tangible intention to purchase. When this is lacking it is less meaningful and the customer is less sensitive to the price.

It has been found that the more the service behavior of the employees is perceived as high (WEQB) thus the customers' expectations from the company's services are higher which is why they graded the service value (PSV) as relatively low. Change in the value perception of that aspect can exist when the service level is permanently improved and grants full response to the changing expectations of the customers (Zeithaml, Berry & Parasuraman, 1993). That is the reason why no connection was found between the WEQB level of the employees and the affective commitment of the customers.

The gaps found between the dimensions of the service behavior of the "Orion" borderline employees, as perceived by the employees and as opposed to the perception of the same by the customer, except for the item "was very competent" in which inverted trend is observed, indicate lack of sufficient emotional intelligence among the employees and objective ability to evaluate themselves as they are reflected through the eyes of the customers.

## **Chapter 7 – Conclusion and implications**

### **7.1 Operational conclusions**

The unique contribution of this study lies in the fact that for the first time a research has combined the relative impact of a rational dimension such as “innovation in service” with an emotional dimension such as ‘emotional intelligence’ to examine their combined influence on customers’ commitment and loyalty to the firm.

Following this, the study mapped the existing gaps between the components of the employees’ emotional intelligence as perceived by the employees and by the customers.

The model used in this research examines a wide range of relations between variables which, the researchers believe, were not researched so far in that manner; mainly the impact of emotional intelligence and emotions in general on customers’ behavior.

Operationally, here are the main conclusions arising from the research:

- Emotional intelligence increases the value of service, influences commitment and, consequently, the customers’ loyalty. The emotionally loyal customer develops an emotional relationship and a strong and solid relation with the company, with an excellent potential to serve also as the company’s goodwill ambassador.
- Emotion management has a considerable influence on the employees’ ability to solve problems in their work environment, which is highly influential in the business arena. Customers also expect to receive an emotional relation as part of their service package. Organizations that will opt for assimilating a culture of emotions will attain a higher level of trust and loyalty among their customers.
- The importance of developing skills of emotional intelligence among employees is increasing. These skills create a strong affective commitment among the customers, which, in turn, creates a long-lasting tendency to establish a relationship with the firm.
- In the era of experience economy, organizations that are interested in developing the ability of providing experiences to their customers must pay attention to the customers’ total experiences while constructing and assimilating a cultural system that ensures an emotional experience to the employees’ as well.
- All the dimensions of the perceived value of service are positively related to the perceived innovation in service in the eyes of the customers. Based on these

findings, it could be concluded that innovative service gives the customer an added value, mainly in the areas of efficiency and attractiveness. In addition, creating a continuous added value for the customer, who is based on constant service innovation, gives the organization a valid competitive advantage, which is expressed in long-term and productive relationships, improving their loyalty level.

- All the dimensions of the perceived service value are also positively related to all the dimensions of the customers' affective commitment. Hence, the great importance of frontline employees in improving the service value in the customers' eyes. The customers' commitment increases when a combination of emotions and tangible benefits exists. The intensity of the emotional dimension is high and accounts for 50% of the customer's experience.
- Every effort should be made to ensure that the frontline employees could manage to the best of their ability (rationally and emotionally) the contact system with the customers, in order to increase their affective commitment to the organization, thus creating a significant marketing lever, leading to growth and profitability through the customers' recommendations to others as well as by increasing cross-sales to the same customers.
- Affective commitment is related to word-of-mouth recommendations, which, according to Shaw (2007), expresses the major element in customers' loyalty. A positive recommendation is a clear expression of the positive experience during service and the value of service. Word of mouth positive recommendations are a major tool in rating customers' loyalty, leading to the firm's future growth.
- The study findings indicate that in the context of a service company, 'extraneous complaint' type of behavior characterizes customers who are not committed to the organization. The more the behavior is 'complaining', mainly before extra organizational parties, the lower the affective commitment. A positive relation on this measure points to normal and constructive relations between the customers and the firm. Thus, customers should be encouraged to complain and create comfortable communication channels for this purpose. A complaining customer whose complaint is solved quickly becomes the firm's goodwill ambassador and a real potential to increased purchase.

- Some weaknesses could be identified among the frontline employees, who lack adequate abilities of emotional intelligence. The present study identified considerable gaps in the employees' perception of these dimensions, in comparison with the customers' perception. Improving the dimensions of emotional intelligence among the frontline employees, as well as that of the rear-line, constitutes a central dimension in creating a broad customer base that receives high value service, contributes to affective commitment and improves the customers' loyalty to the firm.

## **7.2 Summary of conclusions**

Emotional intelligence increases the value of the service and correlates literature regarding the impact of emotions on commitment and following that on customers' loyalty. The customer, who is emotionally loyal develops emotional relationship and strong, stable connection with the company and has excellent potential to serve also as its good will ambassador.

The findings of Salovey & Mayer (1990) lead to the insight that management of emotions has substantial impact on the employees' ability to solve problems in his work's environment – the importance of which in the business areas is truly great. Indeed, in the EQ area, the major dimension that is expressed in this research is "workers external behavior". The customers expect to get emotional contact also as part of the service package (Simms, 2003); organization who will succeed with the assimilation of emotions' culture will gain higher level of trust and loyalty among their customers. This finding about the connection between the level of emotional intelligence of the service providers in the front line and between the loyalty of customers was supported in literature (for example: Bardzil & Slaski, 2003).

According to the SEM model, the emotional intelligence of the employees was found to be connected with the affective commitment of the customers (CAC) thus strengthening the importance in the development of emotional intelligence skills among the employees. Affective commitment forms continuous tendency of customers towards establishment of relationship with the firm, based on the package of emotional connections (affective aspect) and the tangible utility (cognitive aspect) (for example: Gundlach et al., 1995). The emotional intelligence (EQ) of the employees affects all the dimensions of perceived service value (PSV). A particularly strong connection was found between "PSV: attractive and loyal" and the general

grade of EQ as perceived by the customers. In this case too the basis is the value of creating loyalty and strengthening the connection between the customer and the company (for example: Youjjae & Hoseong, 2003).

Reaching the customer may be done by creating experience for him. In this era of experience economy (Gilmore & Pine, 1997) the organization interested in developing that ability should grant attention to the totality of experiences and experiencing of the customer while building and assimilating cultural system ensuring emotional experience for the employees as well.

All the dimensions of the perceived service value (PSV) are positively connected with perceived service innovation. Both "PSV efficient" and "PSV attractive" are salient in that connection. According to these findings it may be said that the innovative service grants added value to the customer mainly in the areas of efficiency and attractiveness. In addition to that, creating continuous added value for the customer which is based on perpetual service innovation, grants the organization durable competitive advantage which is expressed through relationships with the customers that are long-term and fruitful ones thus improving their loyalty level (for example: Aranda & Fernandez, 2002).

Shaw (2007) presents value dimensions in the behavior area opposite the customer that integrate emotion in the process and these cause unique attitude towards the customer which makes him feel "appreciated". Shaw claims that the intensity of the emotional dimension is tremendous and constitutes 50% of the customer's experience! All the dimensions of perceived service value (PSV) are positively connected also with all the dimensions of the customers' affective commitment (CAC). Hence, there is ample importance for the service providers in the frontline to improve the service value. The customers' affective commitment was found to be most connected with "PSV: Efficient" – meaning, integration of emotions and tangible utility.

According to Shaw (2007) all the CAC dimensions are connected with all the WOM dimensions which together constitute a dimension expressing the major component in the customer's loyalty. This finding is supported by Bloemer et al., (2003) who determined that "affective commitment" is a major factor that motivates customers to recommend the service/product to their friends. The WOM clearly expresses the positive experience with the service and the service layout. Shaw's research supports that finding while one of the important values of the dimensions that characterize "social network value" reflects the additional business turnover of the firm that stems

from positive word of mouth recommendations by pleased customers. Reichheld (2003, 2006) also found out through "net promoter score" that positive WOM recommendations constitute the major tool for grading customers' loyalty which enabled characterization of the true loyalty of the customers and turning it into a level for future growth of the firm.

All the CAC dimensions are connected through simple positive connection with all the PI dimensions. There is also a connection with the total affective commitment and purchase intentions. That finding is supported by Bloemer et al., (2003) who established that affective commitment of customers does to a great extent decrease their sensitivity to the price. However, the positive connection that was found does not exist through overall seeing of the SEM model and there is precisely negative connection. Therefore it may be deduced that there is an intricate system of connections as described in the SEM model.

The strong positive connection found between CAC and PI through simple correlations was found to be very strong in the overall model. It would have been expected to have positive connection between CAC and PSV so that PSV is the mediator variable. Indeed, it has been found that such connection does exist. That is to say that the positive connection found between CAC and PI is a key connection for understanding the true reason for the connections in the model.

No positive significant connection was found between any of the CAC dimensions and the price insensitivity (PrIn). That is to say, even though seemingly it was expected for the commitment to cause at least price insensitivity - this is not the case.

Affective commitment (CAC) which seemingly was found to be negatively connected with complaints (COM) was found in the causal model as indirect through the mediator variable (PI). The findings of this research show that regarding "Orian's" complain behavior characterizes customers who are not committed to the organization. The more the behavior is "more complaining", mainly to ex-organizational factor, thus the affective commitment decreases. Positive connection in this index – which is not actualized in the present research - is supposed to point at proper and constructive relationships between the customers and the company.

The gaps found between service behavior dimensions of the borderline "Orian" employees- as perceived by the employees- as opposed to the customers' perception of the same behavior dimensions, excluding the item "was very competent" in which opposite trend was discerned, indicate the lack of sufficient emotional intelligence among the employees and the objective ability to evaluate themselves as they are reflected in the eyes of the customers.

## **7.2 Implications for future research**

The researcher believes that future research about the connections that were examined in the present research, should delve into the more comprehensive aspects of emotional intelligence among borderline employees and its repercussions on the customers. The researcher believes that the connections between emotional intelligence and service innovation should be examined more deeply for the present research did not manage to locate tangible connections between these two important dimensions. Another aspect that is required is a more extensive seeing of the subject who may be achieved by conducting a more extensive research about a line of service organizations in specific branch or in related branches. Another clear recommendation that emerges through the experience of the researcher establishes that the researched participants should not be given few different questionnaires at the same time. The researcher also recommends asking some general questions about the organization in order to examine the hypotheses of the research within the context of the organization's general and various characteristics.

In the present research, the value of the perceived service was found to be present by its own right expressing a reasonable price level, efficiency level and utility through the service as well as the evaluation of the service's comfort; it is contrary to the personal behavior and purchase intentions which are inversely connected with the reasonable price level, efficacy and comfort of the service. This finding requires additional examination through additional research.

Future research should handle the formulation of the questions regarding internal complaint behavior in a more reliable manner since that question was cancelled due to lack of reliability. The question is formulated as complaint about employees which is supposed to express trust relations- perhaps the formulation should explicitly express the wish to improve and not just as complaint per se.

The importance of the employees' emotional intelligence in creating effective commitment of the customers, point out that this aspect of developing emotional intelligence skills among the employees should be researched and suitable training and guidance programs should be integrated for the employees.

### **7.3 A final word**

For the researcher, this research served as instructive, intricate, continuous, personal and professional experience which required a lot of resources and great focusing. The researcher is not a young man and accordingly, investing in such focused and continuous resources was made by waiving substantial part of the joys of life for people his age. Post factum, at the ending of this research paper, the researcher wishes to assert that the efforts, toil and hard work did yield worthy fruits and the investment was worthwhile and granted him a lot of satisfaction. Further added value was gained by the researcher as he was exposed to great variety of books and academic researchers in the areas of marketing, service, innovation and emotional intelligence which meaningfully expanded his knowledge base.

The researcher hopes that once the research paper is authorized he would be able to make one more step in the academy and research further angles of the advanced customer service systems that require perpetual change due to the dazzling intensity that characterizes the business world in our times.

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## **Chapter 9 - Appendices**

### **9.1 PSI, EQ, PSV, Commitment & Loyalty Questionnaires**

Note: Measured on a scale where 1 = Not at all likely and 5 = extremely likely.

No	Question	Field
1	I'm pleased with Orian workers ability to produce unusual or clever ideas about a given topic or situation. It is the ability to invent creative solutions to problems or to develop new procedures for situations in which standard operating procedures do not apply.	Service Innovation
2	Orian service innovation is a platform that will ease introduction of subsequent new products.	
3	Orian service innovation increased the general service delivery capability of Orian	
4	The systems (hardware, software, delivery systems) developed to launch this new service provided a basis for a better introduction of services in the future.	
5	Orian service innovation has strengthened the Orian reputation	
6	Orian service innovation had a positive impact on the reputation of Orian	
7	I'm pleased with Orian workers ability to change behavior, habits, and style to meet rapidly changing demands of the work environment.	EQ
8	I'm pleased with Orian workers ability to put themselves mentally in another person's situation and understand how that person feels.	
9	I'm pleased with Orian workers ability to learn and understand my needs.	
10	I'm pleased with Orian workers ability to uncover the important and relevant information about a problem through conversation, questioning, or discussion.	
11	I'm pleased with Orian workers ability to communicate orally in a clear understandable fashion.	
12	I'm pleased with Orian workers ability to influence people to purchase or continue to use one's service.	
13	Using Orian services makes me feel good.	Perceived service value
14	Using Orian service makes me feel happy.	

15	I'm disgusted with Orian service.	Perceived service value
16	The price of Orian services is acceptable.	
17	This service is good value for money.	
18	This service is better value for money than what I would pay for the same service at other companies	
19	I value the ease in using Orian service	
20	Using Orian service is an efficient way to manage my needs	
21	I value the convenience when using Orian service	
22	I feel loyal to Orian	Affective commitment
23	I consider Orian service to be my first choice	
24	I do feel a strong sense of belonging to Orian	
25	I stay with Orian because I am very happy to be their customer	
26	I stay with Orian because of the comfortable relationship I have with them	
27	Orian has a great deal of personal meaning for me	
28	I do feel like "part of the family" at Orian	
29	I do feel "emotionally attached" to Orian	Word-of mouth
30	I say positive things about Orian to other people	
31	I recommend Orian to someone who asks for my advice	
32	I encourage friends and relatives to do business with Orian	Purchase intention
33	I intend to repurchase services from Orian again in the future	
34	It is possible that I will use Orian services in the future	Price Insensitivity
35	I am likely to pay a little bit more for using Orian services	
36	Price is not an important factor in my decision to remain with Orian	
37	If Orian were to raise the price by 10%, I would likely remain.	
38	I am willing to pay more for this person's services.	
39	I switch to competitor if I experience a problem with Orian	Complaint behavior
40	I complain to other consumers if I experience a problem with Orian	
41	I complain to external agency if I experience a problem with Orian	
42	I complain to Orian's employees if I experience a problem with Orian	

## **9.2 Emotional Worker Behaviors Questionnaire (Customer & Worker point of view)**

Service behaviors that lead to satisfied customers (Winsted, 2000).

**Note:** Measured on a scale where 1 = Not at all likely and 5 = extremely likely.

### **Positive behaviors**

1. Answered all of my questions
2. Anticipated my needs
3. Was very attentive
4. Was very available when needed
5. Treated me carefully
6. Seemed to care about me
7. Made me feel comfortable
8. Was very competent
9. Considered what I had to say
10. Talked with me
11. Was very courteous to me
12. Was very enthusiastic
13. Made a lot of eye contact with me
14. Was friendly
15. Seemed natural and genuine
16. Seemed happy and cheerful
17. Was helpful to me
18. Seemed to be very honest
19. Asked me how I was
20. Seemed very intelligent
21. Seemed interested in me and my needs
22. Was nice to me
23. Was very knowledgeable
24. Listened to what I had to say
25. Seemed to have good manners
26. Was very personable
27. Acted in a personal way
28. Was very pleasant
29. Worked to resolve all problems

30. Was very professional
31. Responded to my needs quickly
32. Acted in a relaxed manner
33. Respected me
34. Used facial expression that made him or her seem very sincere
35. Sincere body language
36. Was sincere
37. Engaged in small talk
38. Smiled a lot
39. Granted my special requests
40. Took the time to perform his or her services
41. Was very understanding
42. Was very warm

**Negative behaviors**

1. Was very abrupt
2. Seemed distant
3. Was annoyed with me
4. Acted arrogantly
5. Had a bad attitude
6. Provided bad service
7. Seemed to be interested in business only
8. Seemed distracted
9. Ignored me
10. Did not provide complete service
11. Indifferent
12. Displayed no sense of humor
13. Did not make eye contact with me
14. Did not smile at me
15. Acted rudely toward me
16. Was very stiff
17. Treated me as a number
18. Concern
19. Was very knowledgeable
20. Seemed very intelligent

21. Was helpful to me
22. Seemed to care about me
23. Anticipated my needs
24. Talked with me
25. Asked me how I was
26. Treated me carefully
27. Seemed interested in me and my needs
28. Was sincere
29. Was very understanding
30. Seemed to be very honest
31. Was very attentive
32. Made me feel comfortable
33. Acted in a personal way
34. Seemed natural and genuine
35. Considered what I had to say
36. Was very available when needed
37. Respected me
38. Was very warm\*\*
39. No civility
40. Acted arrogantly\*
41. Had a bad attitude\*
42. Acted rudely toward me\*
43. Was annoyed with me\*
44. Ignored me\*
45. Seemed distracted\*
46. Was very abrupt\*
47. Did not smile at me\*
48. Did not provide complete service\*
49. Congeniality
50. Smiled a lot
51. Was very enthusiastic
52. Seemed happy and cheerful
53. Was very warm\*\*
54. Used facial expression which made him or her seem sincere

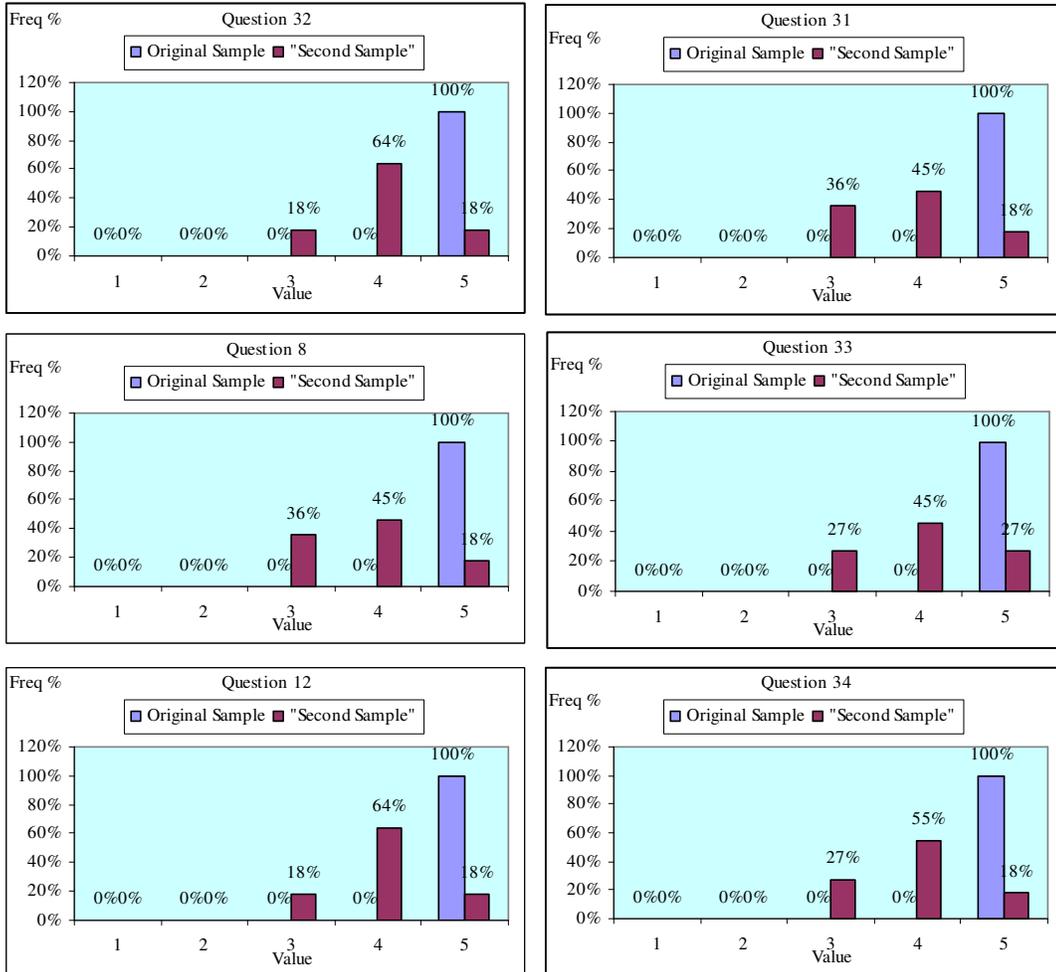
Notes: \* Reverse-scored items;

\*\* Included in two factors

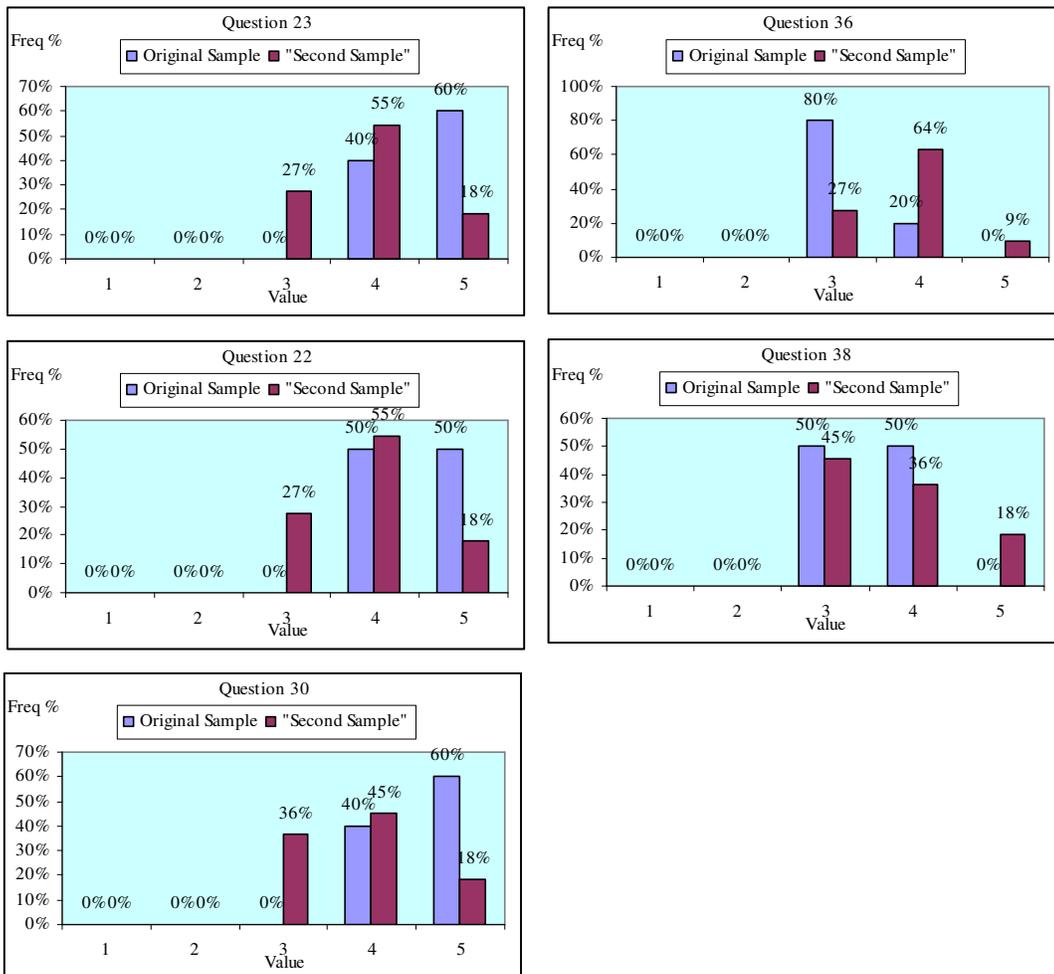
The factors **in red** indicate that transformation has been made for the inversion of the negative answers for the rest of the factors (in formula 8- less the grade) so the scale became positive only

## Chapter 10: Figures

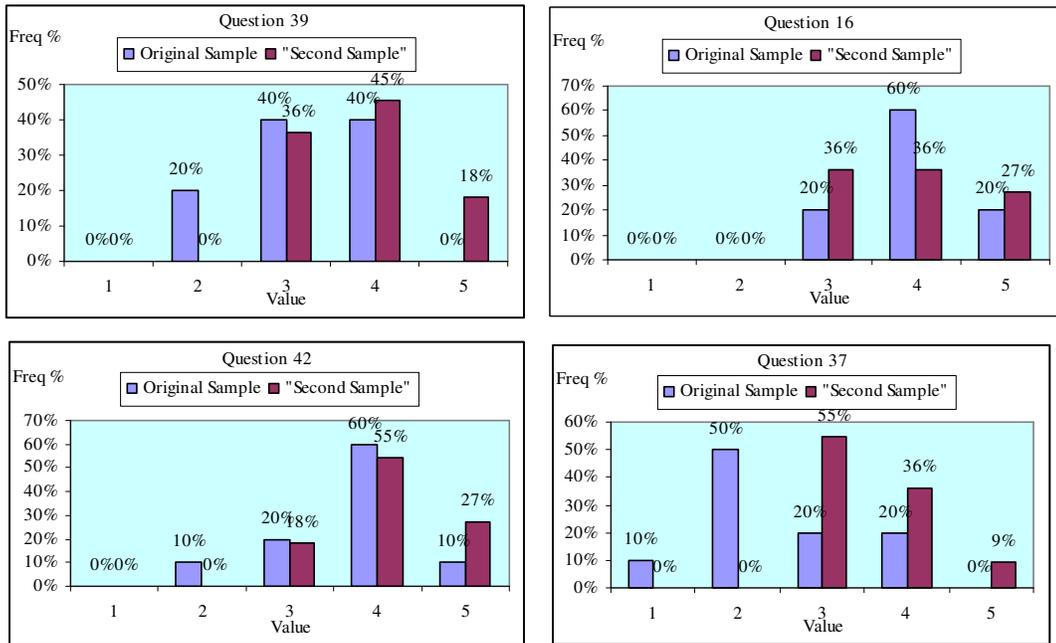
### 10.1 Figure 1: Frequencies of first sample with only 1 value vs. Second sample



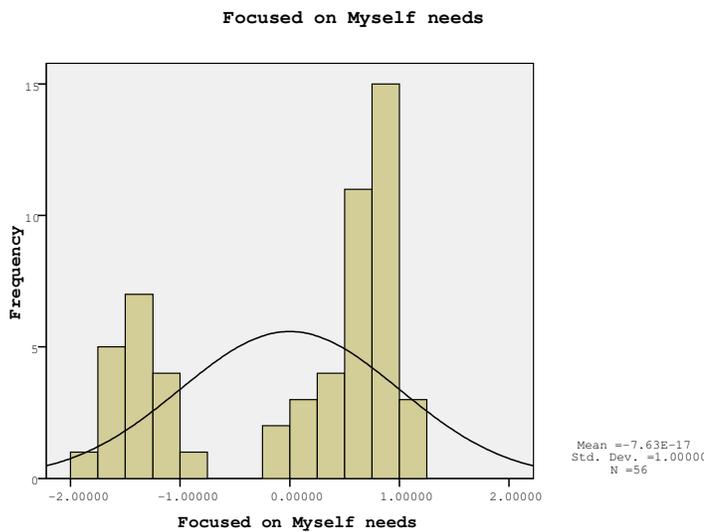
## 10.2 Figure 2: Frequencies of first sample with only 2 values vs. second sample



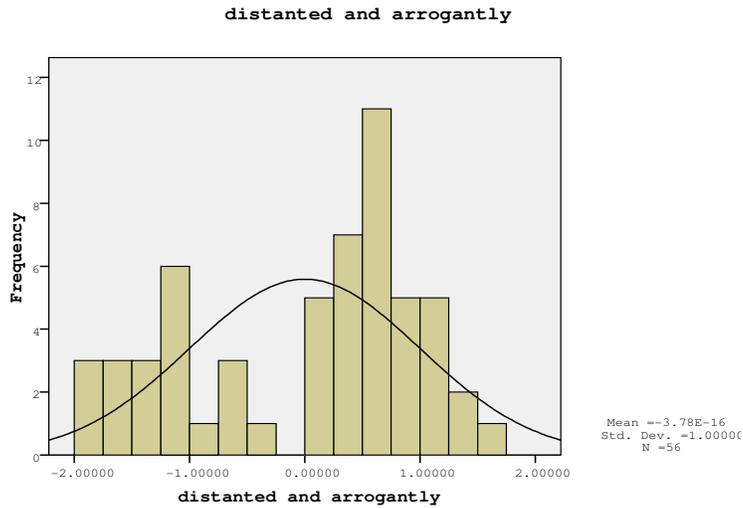
### 10.3 Figure 3: Frequencies of first sample with 3-4 value vs. second sample



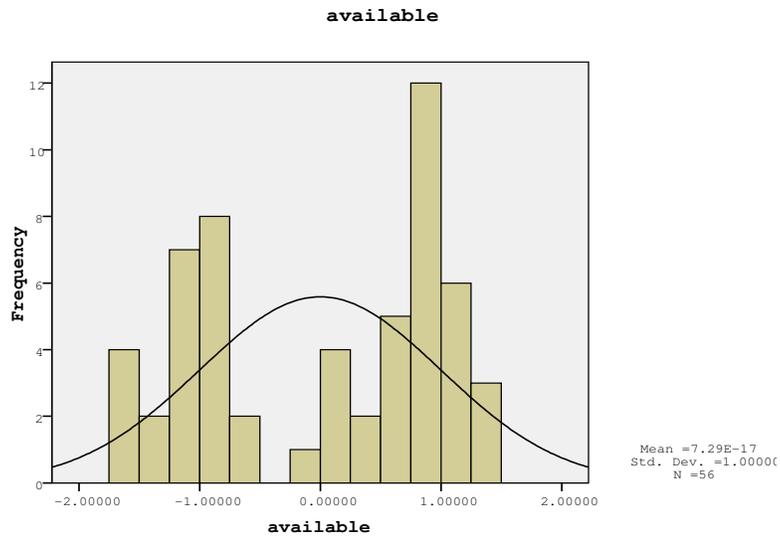
### 10.4 Figure 4: Frequencies of Factor 1 (Focused on myself needs)



### 10.5 Figure 5: Frequencies of Factor 9 (distanced and arrogantly)



### 10.6 Figure 6: Frequencies of Factor 9 (Available)



Between the variables in which there was bi-modal distribution the correlation was attached in order to verify that this does not concern the same sub-group.

It has been found that there is no significant correlation between the variables;

Thus it concerns distribution that is not characterizing any sub-group whatsoever.

## Chapter 11- Tables

### 11.1 Table 1; Cronbach's $\alpha$ Reliability test of the pilot study

The variable	Original Items	Cronbach's Alpha – Base Line	Remained Items	Cronbach's Alpha - Final
<b>Innovation<sup>2</sup></b>	<b>1-6</b>	<b>0.165</b>	<b>1-2</b>	<b>0.710</b>
<b>Innovation: Specific for the Org</b>	<b>1-2</b>	<b>0.71</b>	<b>1-2</b>	<b>0.710</b>
<b>Innovation: Global and General</b>	<b>3, 4, 5</b>	<b>-0.477</b>	<b>3, 5</b>	<b>0.091</b>
<b>EQ</b>	<b>7-12</b>	<b>0.500</b>	<b>10-12</b>	<b>0.694</b>
EQ: Workers Communication	9,11	0.75	9,11	0.750
EQ: Workers Mutuality	7, 8, 10	0.178	8, 10	0.610
<b>Perceived service value</b>	<b>13-22</b>	<b>0.191</b>	<b>13, 18, 19, 22</b>	<b>0.726</b>
PSV: Easy to use	18, 19	0.656	18, 19	0.656
PSV: Utility	16, 20-22	-1.023	20-22	0.446
PSV: Feelings	13, 15, 17	0.725	13, 15, 17	0.725
<b>Affective commitment</b>	<b>24-29</b>	<b>0.587</b>	<b>25, 27-29</b>	<b>0.680</b>
<b>AC: personal meaning</b>	<b>29 ,27 ,26</b>	<b>0.721</b>	<b>29 ,27</b>	<b>0.789</b>
<b>AC: Familial feeling</b>	<b>25 ,28</b>	<b>0.75</b>	<b>25 ,28</b>	<b>0.75</b>
<b>Purchase intention</b>	<b>23, 33,34</b>	<b>0.291</b>	<b>23,33</b>	<b>0.310</b>
<b>Word of mouth<sup>1</sup></b>	<b>30-32</b>	<b>0.418</b>	<b>31-32</b>	<b>0.909</b>
<b>Price insensitivity</b>	<b>36-38</b>	<b>0.624</b>	<b>36-37</b>	<b>0.832</b>
<b>Complains behavior</b>	<b>39-42</b>	<b>0.542</b>	<b>39-42</b>	<b>0.542</b>
<b>Complains behavior: External action</b>	<b>40-41</b>	<b>0.889</b>	<b>40-41</b>	<b>0.889</b>
<b>Complains behavior: Internal action</b>	<b>39, 42</b>	<b>0.775</b>	<b>39, 42</b>	<b>0.775</b>

<sup>2</sup> Items: 6, 14, 24, 31-34 were deleted. All values were constant "4". The items are not sensitive enough.

### 11.2 Table 2: Rotated Component Matrix (a) – Innovativeness

Innovativeness	Component	
	1	2
	Specific innovation	Global innovation
% of variance explained	36%	26%
v1	<b>.877</b>	.319
v2	<b>.813</b>	-.018
v4	-.074	<b>-.749</b>
v5	.209	<b>.666</b>
v3	-.457	<b>.559</b>

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 Rotation converged in 3 iterations.

### 11.3 Table 3: Rotated Component Matrix (a) – EQ components

	Component		
	1	2	3
	<b>Workers Communication</b>	<b>Workers Mutuality</b>	<b>Workers Influence</b>
v11	<b>.845</b>	-.067	.467
v9	<b>.823</b>	.076	-.071
v10	.376	<b>.795</b>	.315
v7	.268	<b>-.793</b>	-.012
v8	.382	<b>.558</b>	-.441
v12	.132	.129	<b>.932</b>

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 Rotation converged in 5 iterations.

**11.4 Table 4: Rotated Component Matrix (a) – Perceived service value**

	Component		
	1	2	3
	<b>Easy to use</b>	<b>Utility</b>	<b>Feelings</b>
v18	<b>.833</b>	-.193	.167
v19	<b>.828</b>	.109	-.081
v21	-.187	<b>.745</b>	-.147
v16	-.022	<b>-.735</b>	-.472
v22	.437	<b>.684</b>	.247
v20	.450	<b>.452</b>	-.034
v17	-.091	-.051	<b>.867</b>
v13	.455	.192	<b>.790</b>
v15	-.498	.571	<b>.608</b>

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 Rotation converged in 4 iterations.

**11.5 Table 5: Rotated Component Matrix (a) – Affective Commitment**

	Component	
	1	2
<i>% of variance explained</i>	42%	34%
	<b>Personal meaning</b>	<b>Familial Feelings</b>
v27	<b>.918</b>	.169
v29	<b>.770</b>	.263
v26	<b>.718</b>	-.459
v25	.093	<b>.863</b>
v28	.093	<b>.863</b>

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 Rotation converged in 3 iterations

### 11.6 Table 6: Rotated Component Matrix (a) – Complain behavior

	Component	
	1	2
% of variance	46.4%	39.2%
Factor	<b>External action</b>	<b>Internal action</b>
v40	<b>.958</b>	.060
v41	<b>.934</b>	-.027
v39	-.140	<b>.890</b>
v42	-.178	<b>-.888</b>

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 Rotation converged in 3 iterations.

### 11.7 Table 7: Comparing Evaluation of Workers and Customers (about workers) (Inverted scale was performed)

		Group	Mean	Std. Deviation	Std. Error Mean	p (t) Sig.
V108	Ignored me	Worker-Worker	5.0	0.00	0.00	0.000
		Customer-Worker	4.7	0.48	0.15	
V140	Had a bad attitude	Worker-Worker	5.0	0.00	0.00	0.000
		Customer-Worker	4.7	0.48	0.15	
V110	Did not provide complete service	Worker-Worker	5.0	0.00	0.00	0.000
		Customer-Worker	4.5	0.71	0.22	
V114	Acted rudely toward me	Worker-Worker	5.0	0.00	0.00	0.000
		Customer-Worker	4.5	0.71	0.22	
V146	Did not provide complete service	Worker-Worker	3.7	1.89	0.60	0.000
		Customer-Worker	4.6	0.52	0.16	
V30	Acted in a relaxed manner	Worker-Worker	4.1	0.99	0.31	0.001
		Customer-Worker	3.4	0.52	0.16	
V104	Had a bad attitude	Worker-Worker	5.0	0.00	0.00	0.001
		Customer-Worker	4.8	0.42	0.13	
V142	Was annoyed with me	Worker-Worker	5.0	0.00	0.00	0.001
		Customer-Worker	4.8	0.42	0.13	
V5	Treated me carefully	Worker-Worker	5.0	0.00	0.00	0.001
		Customer-Worker	4.8	0.42	0.13	
V6	Seemed to care about me	Worker-Worker	5.0	0.00	0.00	0.001
		Customer-Worker	4.8	0.42	0.13	
V128	Was very understanding	Worker-Worker	4.5	0.53	0.17	0.001
		Customer-Worker	4.1	0.32	0.10	
V32	Sincere body language	Worker-Worker	4.3	0.82	0.26	0.002
		Customer-Worker	4.1	0.32	0.10	
V115	Inefficient	Worker-Worker	4.9	0.32	0.10	0.003
		Customer-Worker	4.6	0.52	0.16	
V119	Seemed very intelligent	Worker-Worker	3.5	1.27	0.40	0.007
		Customer-Worker	<b>4.0</b>	0.47	0.15	
V148	Smiled a lot	Worker-Worker	4.3	0.82	0.26	0.011
		Customer-Worker	4.0	0.47	0.15	

		Group	Mean	Std. Deviation	Std. Error Mean	p (t) Sig.
V21	Was very knowledgeable	Worker-Worker	4.3	0.48	0.15	0.028
		Customer-Worker	4.1	0.32	0.10	
V109	Indifferent	Worker-Worker	4.9	0.32	0.10	0.028
		Customer-Worker	4.3	0.48	0.15	
V2	Anticipated my needs	Worker-Worker	4.3	0.48	0.15	0.028
		Customer-Worker	4.1	0.32	0.10	
V127	Was sincere	Worker-Worker	4.7	0.48	0.15	0.028
		Customer-Worker	3.9	0.32	0.10	
V10	Was very courteous to me	Worker-Worker	4.8	0.42	0.13	0.036
		Customer-Worker	4.4	0.70	0.22	
V103	Acted arrogantly	Worker-Worker	4.8	0.42	0.13	0.036
		Customer-Worker	4.4	0.70	0.22	
V19	Seemed interested in me and my needs	Worker-Worker	4.8	0.42	0.13	0.036
		Customer-Worker	4.4	0.70	0.22	
V141	Acted rudely toward me	Worker-Worker	5.0	0.00	0.00	0.037
		Customer-Worker	4.9	0.32	0.10	
V29	Responded to my needs quickly	Worker-Worker	4.5	0.71	0.22	0.042
		Customer-Worker	4.2	0.42	0.13	

**11.8 Table 8: Comparing Evaluation of Workers and Customers (about Workers) (Borderline Results)**

		Group	Mean	Std. Deviation	Std. Error Mean	Sig.
v117	Concern	Worker-Worker	3.8	1.03	0.33	0.058
		Customer-Worker	4.5	0.53	0.17	
v24	Was very personable	Worker-Worker	3.7	1.06	0.33	0.077
		Customer-Worker	3.7	0.67	0.21	
v31	Respected me	Worker-Worker	4.7	0.48	0.15	0.087
		Customer-Worker	3.9	1.37	0.43	

**11.9 Table 9: Comparing Evaluation of Workers and Customers (about Workers) (Insignificant Results)**

		Group	Mean	Std. Deviation	Std. Error Mean	p (t)Sig.
v106	Seemed distracted	Worker-Worker	4.3	0.82	0.26	0.100
		Customer-Worker	4.5	0.53	0.17	
v34	Engaged in small talk	Worker-Worker	4.3	0.82	0.26	0.100
		Customer-Worker	4.5	0.53	0.17	
v38	Was very understanding	Worker-Worker	4.4	0.70	0.22	0.127
		Customer-Worker	4.3	0.48	0.15	
v9	Considered what I had to say	Worker-Worker	4.4	0.70	0.22	0.127
		Customer-Worker	4.7	0.48	0.15	
v33	Was sincere	Worker-Worker	4.5	0.71	0.22	0.142
		Customer-Worker	4.3	0.48	0.15	
v39	Was very warm	Worker-Worker	4.5	0.71	0.22	0.142
		Customer-Worker	4.3	0.48	0.15	
v126	Seemed interested in me and my needs	Worker-Worker	4.7	0.48	0.15	0.151
		Customer-Worker	4.0	0.47	0.15	
v143	Ignored me	Worker-Worker	4.7	0.95	0.30	0.172
		Customer-Worker	4.9	0.32	0.10	
v118	Was very knowledgeable	Worker-Worker	2.9	1.20	0.38	0.172
		Customer-Worker	3.9	0.74	0.23	
v20	Was nice to me	Worker-Worker	4.7	0.48	0.15	0.207
		Customer-Worker	4.5	0.53	0.17	
v3	Was very attentive	Worker-Worker	4.7	0.48	0.15	0.207
		Customer-Worker	4.5	0.53	0.17	
v25	Acted in a personal way	Worker-Worker	4.8	0.42	0.13	0.232
		Customer-Worker	4.9	0.32	0.10	
v16	Was helpful to me	Worker-Worker	4.9	0.32	0.10	0.232
		Customer-Worker	4.8	0.42	0.13	
v17	Asked me how I was	Worker-Worker	4.9	0.32	0.10	0.232
		Customer-Worker	4.8	0.42	0.13	
v22	Listened to what I had to say	Worker-Worker	4.1	0.99	0.31	0.235
		Customer-Worker	4.0	0.67	0.21	
v36	Granted my special requests	Worker-Worker	4.6	0.52	0.16	0.245
		Customer-Worker	4.4	0.70	0.22	
v138	Civility	Worker-Worker	4.4	1.26	0.40	0.249
		Customer-Worker	4.5	0.53	0.17	
v15	Seemed happy and cheerful	Worker-Worker	4.3	0.67	0.21	0.259
		Customer-Worker	4.3	0.48	0.15	
v132	Acted in a personal way	Worker-Worker	4.5	0.71	0.22	0.269
		Customer-Worker	4.6	0.52	0.16	
v28	Was very professional	Worker-Worker	4.5	0.53	0.17	0.308
		Customer-Worker	3.9	0.57	0.18	
v14	Seemed natural and genuine	Worker-Worker	4.7	0.48	0.15	0.334
		Customer-Worker	4.8	0.42	0.13	
V27	Worked to resolve all problems	Worker-Worker	4.8	0.42	0.13	0.334
		Customer-Worker	4.3	0.48	0.15	
v121	Seemed to care about me	Worker-Worker	4.7	0.48	0.15	0.334
		Customer-Worker	4.2	0.42	0.13	
v116	Treated me as a number	Worker-Worker	4.7	0.67	0.21	0.337
		Customer-Worker	4.8	0.42	0.13	

v13	Was friendly	Worker-Worker	4.7	0.67	0.21	0.337
		Customer-Worker	4.8	0.42	0.13	
v18	Seemed very intelligent	Worker-Worker	4.1	0.74	0.23	0.379
		Customer-Worker	3.9	0.57	0.18	
v151	Was very warm**	Worker-Worker	4.4	0.52	0.16	0.394
		Customer-Worker	3.9	0.57	0.18	
v23	Seemed to have good manners	Worker-Worker	4.6	0.52	0.16	0.394
		Customer-Worker	4.1	0.57	0.18	
v120	Was helpful to me	Worker-Worker	4.7	0.48	0.15	0.398
		Customer-Worker	4.4	0.52	0.16	
v131	Made me feel comfortable	Worker-Worker	4.6	0.52	0.16	0.398
		Customer-Worker	4.7	0.48	0.15	
v130	Was very attentive	Worker-Worker	4.7	0.48	0.15	0.398
		Customer-Worker	4.6	0.52	0.16	
v8	Seemed to care about me	Worker-Worker	4.0	0.47	0.15	0.408
		Customer-Worker	4.1	0.57	0.18	
v26	Was very pleasant	Worker-Worker	4.6	0.52	0.16	0.471
		Customer-Worker	4.3	0.67	0.21	
v112	Did not make eye contact	Worker-Worker	4.5	0.71	0.22	0.491
		Customer-Worker	4.1	0.88	0.28	
V137	Was very warm**	Worker-Worker	4.6	0.52	0.16	0.548
		Customer-Worker	4.5	0.53	0.17	
v4	Was very available when needed	Worker-Worker	4.5	0.53	0.17	0.548
		Customer-Worker	4.4	0.52	0.16	
v11	Was very enthusiastic	Worker-Worker	4.1	0.88	0.28	0.582
		Customer-Worker	4.0	0.82	0.26	
v12	Made a lot of eye contact with me	Worker-Worker	4.3	0.67	0.21	0.620
		Customer-Worker	4.2	0.63	0.20	
v37	Took the time to perform his or her services	Worker-Worker	4.3	0.67	0.21	0.620
		Customer-Worker	4.2	0.63	0.20	
v139	Acted arrogantly*	Worker-Worker	4.5	1.27	0.40	0.630
		Customer-Worker	4.2	0.79	0.25	
V124	Asked me how I was	Worker-Worker	4.6	0.70	0.22	0.641
		Customer-Worker	4.2	0.63	0.20	
v144	Seemed distracted*	Worker-Worker	4.4	0.84	0.27	0.651
		Customer-Worker	4.2	0.79	0.25	
v123	Talked with me	Worker-Worker	4.6	0.70	0.22	0.654
		Customer-Worker	4.2	0.79	0.25	
v150	Seemed happy and cheerful	Worker-Worker	4.2	0.63	0.20	0.661
		Customer-Worker	3.7	0.48	0.15	
v7	Made me feel comfortable	Worker-Worker	4.7	0.67	0.21	0.701
		Customer-Worker	4.7	0.48	0.15	
v111	Displayed no sense of humor	Worker-Worker	4.5	0.71	0.22	0.741
		Customer-Worker	4.1	0.74	0.23	
v101	Was very abrupt	Worker-Worker	4.4	0.70	0.22	0.778
		Customer-Worker	4.3	0.67	0.21	
v145	Did not smile at me*	Worker-Worker	4.6	0.70	0.22	0.795
		Customer-Worker	4.4	0.70	0.22	
v102	Seemed distant	Worker-Worker	4.5	0.97	0.31	0.804
		Customer-Worker	4.2	0.79	0.25	
v147	Was congenial (Congeniality)	Worker-Worker	4.3	1.25	0.40	0.880
		Customer-Worker	4.1	1.29	0.41	
v134	Considered what I had to say	Worker-Worker	4.3	0.67	0.21	0.913

		Customer-Worker	4.1	0.74	0.23	
v125	Treated me carefully	Worker-Worker	4.4	0.52	0.16	1.000
		Customer-Worker	4.6	0.52	0.16	
v135	Was very available when needed	Worker-Worker	4.4	0.52	0.16	1.000
		Customer-Worker	4.6	0.52	0.16	
v1	Answered all of my questions	Worker-Worker	4.7	0.48	0.15	1.000
		Customer-Worker	4.7	0.48	0.15	
v129	Seemed to be very honest	Worker-Worker	4.7	0.48	0.15	1.000
		Customer-Worker	4.3	0.48	0.15	
v113	Did not smile at me	Worker-Worker	4.6	0.52	0.16	1.000
		Customer-Worker	4.2	0.63	0.20	
v105	Provided bad service	Worker-Worker	4.9	0.32	0.10	1.000
		Customer-Worker	4.9	0.32	0.10	
v107	Seemed to be interested in business only	Worker-Worker	4.5	0.71	0.22	1.000
		Customer-Worker	4.0	0.82	0.26	
v122	Anticipated my needs	Worker-Worker	4.2	0.42	0.13	1.000
		Customer-Worker	3.8	0.42	0.13	
v133	Seemed natural and genuine	Worker-Worker	4.8	0.42	0.13	1.000
		Customer-Worker	4.8	0.42	0.13	
v136	Respected me	Worker-Worker	4.7	0.48	0.15	1.000
		Customer-Worker	4.7	0.48	0.15	
v149	Was very enthusiastic	Worker-Worker	4.2	0.42	0.13	1.000
		Customer-Worker	3.8	0.42	0.13	
v35	Smiled a lot	Worker-Worker	4.5	0.71	0.22	1.000
		Customer-Worker	4.0	0.82	0.26	

**11.10 Table 10: the variables of the research and their characteristics**

Variable Type	Variable	Dimension
Independent Variables	Perception of employees' service behavior	Single Dimension
	<b>Innovation</b>	Single Dimension
	<b>EQ</b>	EQ: External EQ abilities EQ: Internal EQ abilities
Mediator Variables	<b>Perceived service value</b>	PSV: Efficient
		PSV: Attractive and Loyal
		PSV: Enjoying without real value
	<b>AC: Affective commitment</b>	<b>EC: Familial feelings</b>
		<b>EC: Recommendation</b>
<b>EC: Comfort feelings</b>		
Dependent Variables	<b>PI: Purchase intention</b>	Single Dimension
	<b>Word of mouth</b>	Single Dimension
	<b>PrIn: Price insensitivity</b>	Single Dimension
	<b>COM: Complains behavior</b>	Single Dimension

**11.11 Table 11: Rotated Component Matrix (a) – Innovativeness**

Innovativeness	Component		
	1	2	3
	Specific for the Org	Prestige Influence	Efficiency Influence
% of variance explained	27.7%	26.0%	17.1%
Inovation1	<b>.830</b>	.117	-.240
Inovation2	<b>.786</b>	-.039	.144
Inovation6	.163	<b>.744</b>	-.226
Inovation4	.167	<b>.712</b>	.477
Inovation5	-.385	<b>.641</b>	.148
Inovation3	-.071	.022	<b>.932</b>

**11.12 Table 12: Rotated Component Matrix (a) – EQ**

EQ	1	2
	Workers External behavior	Workers Emotional Influence
% of variance explained	27.8%	21.6%
EQ7	<b>.748</b>	-.145
EQ10	<b>.732</b>	.112
EQ11	<b>.629</b>	-.059
EQ8	-.020	<b>.739</b>
EQ9	-.205	<b>.705</b>
EQ12	.369	<b>.481</b>

**11.13 Table 13: Rotated Component Matrix (a) – Service Value**

Service Value	Component				
	1	2	3	4	5
	21.7%	16.5%	12.5%	10.7%	10.1%
	Easy to Use	worthwhile	Unacceptable	Enjoyment	Effectiveness
P_SValue22	<b>.865</b>	-.036	.113	-.033	.155
P_SValue19	<b>.694</b>	.138	-.314	.201	-.108
P_SValue17	.001	<b>.760</b>	-.284	.151	.090
P_SValue13	.461	<b>.729</b>	.182	.086	-.119
P_SValue21	-.188	<b>.592</b>	.173	-.269	.331
P_SValue15	.029	-.020	<b>.914</b>	-.046	.159
P_SValue16	.216	.009	<b>-.582</b>	.179	.513
P_SValue18	-.005	.161	.080	<b>.868</b>	.021
P_SValue14	.115	-.097	-.217	<b>.677</b>	.012
P_SValue20	.013	.111	.093	.000	<b>.864</b>

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 a Rotation converged in 7 iterations.

**11.14 Table 14: Rotated Component Matrix (a) – Affective Commitment**

	Component		
	1	2	3
% of variance explained	27.8%	20.1%	16.9%
Factors	<b>Personal meaning</b>	<b>Familial Feelings</b>	<b>Happiness</b>
E_Commit29	<b>.804</b>	-.010	.109
E_Commit26	<b>.714</b>	-.179	-.260
E_Commit27	<b>.586</b>	-.088	-.375
E_Commit24	.033	<b>.773</b>	-.273
E_Commit28	.302	<b>.723</b>	.396
E_Commit25	.277	-.205	<b>.750</b>

Extraction Method: Principal Component Analysis.  
 a 3 components extracted.

**Table 15:** presents the customer's flexibility to the price- the four data are classified into two factors:

**11.15 Table 15: Rotated Component Matrix (a) – Price Insensitivity**

Price elasticity	Component	
	1	2
	pay more for more service	Price is not important
PRICE_I37 If Orian were to raise the price by 10%, I would be likely to remain.	<b>.709</b>	-.303
PRICE_I35 I am likely to pay a little bit more for using Orian services	<b>.699</b>	-.407
PRICE_I38 I am willing to pay more for this person's services.	<b>.677</b>	.407
PRICE_I36 Price is not an important factor in my decision to remain with Orian	.265	<b>.843</b>

Extraction Method: Principal Component Analysis.  
a 2 components extracted.

**Table 16:** presents the characteristics of the customers' complain behavior. The four data are classified into two factors

**11.16 Table16: Rotated Component Matrix (a) – Complain Behavior**

Complain Behavior	Component	
	1	2
	Complain inside	Complain outside
C_Behav41 I complain to an external agency if I experience a problem with Orian	<b>.826</b>	-.026
C_Behav42 I complain to Orian's employees if I experience a problem with Orian	<b>-.729</b>	.362
C_Behav39 I switch to a competitor if I experience a problem with Orian	-.066	<b>-.716</b>
C_Behav40 I complain to other consumers if I experience a problem with Orian	.344	<b>.693</b>

Extraction Method: Principal Component Analysis.  
a 2 components extracted.

### 11.17.0 Results of the research instruments' reliability testing

Table 17: presents the reliability test for the research variables following the main variables.

The main variables remained in reasonable level of significance. Some of the sub-variables should be extracted and the reliability test was as low as: Innovation: prestige influence; efficiency influence. EQ: Workers Emotional Influence. PSV: unacceptable. CAC: Familial feeling.

**1.17 Table 17: Cronbach's  $\alpha$  Reliability test of the pilot study**

Variables	Stasy ( $n=49$ )				Pilot ( $n=10$ )	
	Originally Items	Cronbach's Alpha – Base Line	Remained Items Final	Cronbach's Alpha - Final	Remained Items Pilot	Cronbach's Alpha - Final
<b>Innovation<sup>3</sup></b>	1-6	<b>.bh3</b>	1-2	<b>.58</b>	1-2	<b>.71</b>
<b>Innovation: Specific for the Org</b>	1-2	<b>.58</b>	1-2	<b>.58</b>	1-2	<b>.71</b>
<b>Innovation: Prestige Influence</b>	4-6	<b>.38</b>	4-6	<b>.38</b>	-	-
<b>Innovation: Efficiency Influence</b>	3	-	-	-	3, 5	<b>.09</b>
<b>EQ</b>	7-12	<b>.54</b>	7,10-12	<b>.63</b>	10-12	<b>.69</b>
EQ: Workers External behavior	7,10-11	<b>.61</b>	7,10-11	<b>.61</b>	9,11	<b>.75</b>
EQ: Workers Emotional Influence	8, 9, 12	<b>.30</b>	8-9	<b>.40</b>	8, 10	<b>.61</b>
<b>Perceived service value</b>	13-22	<b>.65</b>	13-14,16-20,22	<b>.72</b>	13, 18, 19, 22	<b>.73</b>
PSV: Easy to use	19, 22	<b>.67</b>	19, 22	<b>.67</b>	18, 19	<b>.66</b>
PSV: worthwhile	13, 17, 21	<b>.53</b>	13,17	<b>.56</b>		
PSV: Unacceptable	15, 16	<b>(-1.11)</b>	15, 16	<b>(-1.11)</b>	13, 15, 17	<b>.73</b>
PSV: Enjoyment	14, 18	<b>.53</b>	14, 18	<b>.53</b>		
PSV: Effectiveness	20	-	-	-	20-22	<b>.45</b>
<b>Affective commitment</b>	24-29	<b>.50</b>	25,27-29	<b>0.53</b>	25, 27-29	<b>.68</b>
<b>CAC: personal meaning</b>	26,27,29	<b>.52</b>	26,27,29	<b>.52</b>	29, 27	<b>.79</b>
<b>CAC: Familial feeling</b>	28, 24	<b>.36</b>	28, 24	<b>.36</b>		
<b>CAC: Happiness</b>	25	-	-	-	25, 28	<b>.75</b>
<b>Purchase intention</b>	23, 33, 34	<b>.74</b>	33, 34	<b>.93</b>	23,33	<b>.31</b>
<b>Word of mouth<sup>1</sup></b>	30-32	<b>.90</b>	30-32	<b>.90</b>	31-32	<b>.91</b>
<b>Price insensitivity</b>	35-38	<b>.41</b>	35,37-38	<b>.54</b>	36-37	<b>.83</b>
<b>Price insensitivity</b>	37-38	<b>.43</b>	37-38	<b>.43</b>		
<b>Price Irrelevance</b>	36	-	-	-		
<b>Complaint Behavior</b>	39-42	<b>-.28</b>	41, 40	<b>.43</b>	39-42	<b>.54</b>
<b>Complains behavior: External action</b>	41, 40	<b>.43</b>	41, 40	<b>.43</b>	40-41	<b>.89</b>
<b>Complains behavior: Internal action</b>	39, 40	<b>-.36</b>	39, 40	<b>-.36</b>	39, 42	<b>.78</b>

<sup>3</sup> Items: 6, 14, 24, 31-34 were been deleted. All values were constant "4". The items are not sensitive enough.

Testing the reliability in table 17 showed that in most variables the calculation should be composed of the mean variable grade, the major one, without division into dimensions. High reliability was found for the following variables: purchase intention (0.93); Word of mouth (0.90) and Perceived service value (0.72). Weaker reliability was found in the following variables: EQ (0.63); Innovation (0.58); Price insensitivity (0.54); Affective commitment (0.53) and Complain behavior (0.43).

In innovation (Cronbach's Alpha= 0.61) the reliable dimension that was expressed was "specific for the org" which was composed of the items 1 and 2 in EQ (Cronbach's Alpha= 0.63); the major dimension expressed was "workers external behavior" (Cronbach's Alpha= 0.61).

The Worker's Emotional Influence is a little problematic regarding its reliability level (Cronbach's Alpha= 0.40). The reliability of the perceived service value (Cronbach's Alpha= 0.72) is higher than all of its dimensions. The dimension of "unacceptable" composed of items 15, 16 was found to be totally unreliable. The other dimension with Cronbach's Alpha within the ranges 0.53- 0.67 as well as "effectiveness" which was composed of item 20 only- were found reliable and usable. The "personal meaning" dimension (Cronbach's Alpha= 0.52) in the variable "affective commitment" (Cronbach's Alpha= 0.53) is the only one with reliability that is lower than reasonable but still usable. Since the variable mostly overlaps the dimension then it is possible to use a variable with the highest reliability. The variable "price insensitivity" (Cronbach's Alpha= 0.54) cannot be split into dimensions. The variable "complain behavior" (Cronbach's Alpha= 0.43) has the lowest reliability level and even so after it was left with items 40, 41 only which express "external action". The reliability of "internal action" is problematic and so that variable cannot be used.

Table 18 summarizes all 90 questions into 20 factors only. The first 7 factors explain approximately 51% of the overall variance. The first factor that explains 11.2% of the variance is "focused on my needs" followed by the factor "acted indifferent and rudely" with 9.7% explanation of the variance; followed by the factor "sincere" with 8.5% explanation of variance; then the factor "warm and smiled" with 6.3% explaining of variance followed by "happy and enthusiastic" with 6.0% explanation of

variance; then the factor "good communications" with 4.7 explanation of variance followed by the factor "ignored" which explained 4.6% of the variance.

Table 19 focuses on the EQ dimensions. The variables in red were subtracted due to lack of reliability and in the overall sum of the major variable they include the following: Was\_very\_available\_when\_needed4, acted\_arrogantly3, Seemed\_to\_be\_interested\_in\_business\_only7, Did\_not\_look\_me\_in\_the\_eyes 12, Concern17, Was\_very\_knowledgeable18, Seemed\_very\_intelligent19, and Acted\_arrogantly 39.

In the second factor no variable was subtracted while in the third factor the following variables were subtracted: Did\_not\_smile\_at\_me 13, Did\_not\_smile\_at\_me 45, Seemed\_distracted 44. Was\_very\_courteous\_to\_me 10, Civility 38, Was\_sincere 33, Sincere\_body\_language 32. In factor four the following variables were subtracted: Was\_very\_warm 51, Seemed\_to\_be\_interested\_in\_business\_only 7. In factor five the following variable was subtracted: Was\_very\_enthusiastic 11.

No factors were subtracted in factors five and six.

In factor eight the following variables were subtracted: Was\_very\_enthusiastic 11. Was\_very\_personable 24, Did\_not\_look\_me\_in\_the\_eyes 12, Worked\_to\_resolve\_any\_problems 27. In factor nine the following variables were subtracted: Was\_annoied\_with\_me 42, acted\_arrogantly 3, Acted\_arrogantly 39. In factor ten the following variables were subtracted: congeniality 47; Was\_friendly 1. In factor eleven the following variables were subtracted: Responded\_to\_my\_needs\_quickly 29; Did\_not\_provide\_complete\_service 10. In factor twelve the following variable was subtracted: Listened\_to\_what\_I\_had\_to\_say 22. In factor thirteen the following variable was subtracted: Displayed\_no\_sense\_of\_humor 11. In factors and fourteen no variables were subtracted. In factor fifteen the following variables were subtracted: Seemed\_to\_be\_very\_honest 29; Asked\_me\_how\_I\_was17; Acted\_in\_a\_relaxed\_manner 30. In factor sixteen the following variable was subtracted: Was\_very\_competent 8; in factor seventeen the following variable was subtracted: Did\_not\_provide\_complete\_service 46. No variables were subtracted from factors 18-20.

11.18 Table 18: Rotated factor analysis- Worker – Worker

58.8	Factor	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	Factor	11.2	9.7	8.5	6.3	6.0	4.7	4.6	4.1	3.8	3.5	3.0	2.7	2.1	1.8	1.8	1.5	1.5	1.4	1.2	1.2
	% of Variance																				
Focused on Myself needs Q1	Respected_me36	0.96	0.01	0.09	0.05	-0.01	0.01	0.06	0.05	0.02	0.09	0.00	0.10	0.01	0.03	0.06	0.03	0.06	0.05	0.00	0.00
	Seemed interested in me_and_my_needs26	0.96	0.01	0.09	0.05	-0.01	0.01	0.06	0.05	0.02	0.09	0.00	0.10	0.01	0.03	0.06	0.03	0.06	0.05	0.00	0.00
	Granted_my_special_requests36	0.96	0.02	0.07	0.08	-0.01	-0.02	0.04	0.08	-0.01	0.08	0.00	0.06	-0.04	-0.04	-0.03	0.00	0.07	0.02	-0.07	0.03
	Seemed interested in me_and_my_needs19	0.94	0.04	0.10	0.03	-0.04	0.05	0.09	0.05	0.00	0.12	-0.06	0.13	0.06	0.10	0.04	0.05	0.03	0.03	0.00	-0.05
	Respected_me31	0.93	-0.07	0.06	0.00	-0.05	0.02	0.08	-0.01	-0.02	0.10	-0.03	0.09	0.00	0.06	0.08	0.03	0.02	0.02	0.01	-0.09
	Anticipated_my_needs2	0.91	-0.06	-0.05	0.02	-0.05	0.03	0.08	0.14	0.03	-0.02	0.02	-0.11	-0.11	-0.08	-0.13	-0.07	0.06	0.04	-0.01	0.10
	Anticipated_my_needs22	0.90	0.09	-0.06	0.01	-0.08	-0.01	0.11	0.06	0.07	-0.05	0.02	-0.15	-0.14	-0.11	-0.09	-0.08	-0.02	0.06	0.05	0.16
	Answered_all_of_my_questions1	0.68	0.02	0.09	-0.05	0.20	0.27	0.15	0.08	0.24	-0.25	-0.09	-0.04	-0.02	0.12	-0.07	-0.08	-0.22	0.18	0.05	0.01
Took_the_time_to_perform_his_or_her_services37	0.66	0.14	0.00	-0.10	0.10	0.04	0.10	-0.02	0.08	-0.05	0.09	0.03	0.24	-0.05	0.09	0.04	0.01	-0.17	0.34	0.03	
Acted Indifferent and rudely Q2	Indifferent9	0.01	0.96	-0.07	-0.02	0.04	-0.06	-0.01	-0.06	-0.07	0.05	0.01	0.06	0.01	-0.08	0.00	-0.04	-0.01	0.03	-0.05	-0.03
	Acted_rudely_toward_me14	-0.07	0.96	-0.06	-0.05	0.00	-0.02	0.03	-0.07	-0.09	0.09	-0.07	0.09	0.07	0.00	-0.02	-0.02	-0.06	0.01	-0.05	-0.07
	Acted_rudely_toward_me41	-0.07	0.96	-0.06	-0.05	0.00	-0.02	0.03	-0.07	-0.09	0.09	-0.07	0.09	0.07	0.00	-0.02	-0.02	-0.06	0.01	-0.05	-0.07
	Un_efficient15	-0.06	0.95	-0.08	-0.07	0.00	0.10	0.10	0.00	0.00	0.02	-0.04	-0.05	0.08	0.02	-0.05	-0.04	0.02	0.08	0.00	0.00
	rovided_bad_service5	-0.06	0.91	-0.06	-0.09	0.00	-0.06	0.01	-0.15	-0.12	0.09	-0.12	0.08	0.12	0.03	0.00	-0.01	-0.18	0.03	0.01	0.05
	Did_not_smile_at_me13	0.11	0.87	-0.01	0.07	0.12	-0.04	-0.08	-0.01	-0.20	0.06	0.12	0.04	-0.02	-0.17	-0.03	-0.11	0.11	-0.07	0.07	0.17
	Did_not_smile_at_me45	0.01	0.85	-0.10	-0.02	0.09	0.18	0.09	0.10	0.03	-0.09	0.12	-0.17	0.07	0.01	-0.03	-0.12	0.11	0.15	0.21	0.11
	Seemed_distracted44	0.01	0.74	0.13	-0.12	0.17	0.19	-0.03	0.02	-0.03	-0.11	0.01	-0.20	0.06	0.10	-0.05	0.12	0.20	0.17	0.29	0.11
Sincere Q3	Seemed_to_have_good_manners23	0.08	-0.01	0.94	-0.05	0.02	-0.04	-0.01	0.07	-0.06	-0.05	0.00	0.06	0.06	0.03	0.01	0.00	-0.04	0.03	-0.03	-0.05
	Was_sincere27	0.09	-0.05	0.93	-0.02	0.02	-0.01	0.01	0.13	-0.03	-0.06	0.03	0.07	0.02	0.01	0.00	0.00	0.05	0.06	-0.06	-0.14
	Was_very_courteous_to_me10	-0.01	-0.11	0.92	-0.12	-0.02	0.01	0.00	0.07	-0.01	-0.02	-0.12	0.05	-0.03	0.07	-0.05	0.06	0.03	0.06	-0.05	-0.18
	Civility38	0.13	-0.11	0.86	-0.04	0.05	0.08	-0.10	0.05	-0.14	0.08	0.07	0.07	-0.05	-0.06	0.04	0.05	0.20	-0.09	0.00	0.09
	Was_sincere33	0.02	-0.07	0.86	-0.09	-0.02	0.17	0.11	0.17	0.06	-0.11	-0.01	-0.12	0.11	0.11	-0.05	-0.01	-0.01	0.11	0.16	0.04
	Sincere_body_language32	0.04	-0.11	0.81	-0.06	-0.07	0.10	0.16	0.11	0.13	-0.16	0.02	-0.20	-0.01	-0.03	-0.06	-0.07	-0.07	0.15	0.15	0.13
warm and Smiled Q4	Smiled_a_lot35	0.06	-0.06	-0.03	0.94	0.17	-0.01	-0.06	0.03	0.00	0.08	0.02	0.05	0.06	0.12	0.05	0.07	0.06	-0.05	-0.02	-0.05
	Was_very_warm39	0.06	-0.06	-0.03	0.94	0.17	-0.01	-0.06	0.03	0.00	0.08	0.02	0.05	0.06	0.12	0.05	0.07	0.06	-0.05	-0.02	-0.05
	Smiled_a_lot48	0.05	-0.09	-0.11	0.94	0.15	-0.05	-0.07	0.09	-0.02	0.05	-0.01	0.01	0.01	0.07	-0.08	0.02	0.05	-0.09	-0.10	0.03
	Was_very_warm51	-0.03	-0.07	-0.12	0.89	0.11	0.03	-0.01	0.04	0.08	0.06	-0.05	-0.02	0.08	0.16	0.01	0.10	-0.01	0.04	0.08	0.03
Seemed_to_be_interested_in_business_only7	-0.27	-0.09	0.17	0.33	-0.05	-0.21	-0.23	0.25	0.02	0.01	-0.02	0.19	0.09	0.01	0.14	0.29	0.32	-0.01	0.07	0.23	
happy and enthusiastic Q5	Seemed_happy_and_cheerful15	0.01	0.07	0.03	0.21	0.89	-0.01	-0.03	-0.01	0.03	0.20	0.09	0.10	0.17	0.08	0.01	0.09	-0.05	-0.09	-0.09	-0.01
	Was_very_enthusiastic49	-0.08	0.07	-0.02	0.15	0.88	0.04	0.02	0.03	0.12	0.18	0.10	-0.04	0.10	0.02	-0.03	0.11	-0.08	-0.06	-0.02	-0.04
	Was_very_enthusiastic11	0.00	0.11	-0.03	0.17	0.84	0.16	0.05	0.08	0.17	0.08	0.24	-0.09	0.09	0.04	0.04	0.10	0.06	0.10	-0.07	
	Seemed_happy_and_cheerful50	-0.01	0.08	-0.02	0.23	0.84	0.05	0.07	0.11	0.10	0.15	0.13	0.02	0.21	0.03	-0.11	0.05	-0.07	-0.08	-0.09	0.06
Good Communication Q6	Talked_with_me23	0.05	0.04	0.06	-0.01	0.94	0.14	-0.01	0.03	0.08	0.11	0.06	0.03	-0.07	-0.03	-0.08	0.00	0.04	0.01	0.00	
	Was_very_attentive3	0.04	0.01	0.07	-0.05	0.91	0.03	-0.11	-0.06	0.12	0.03	0.15	-0.04	-0.04	-0.02	-0.07	0.02	0.01	-0.04	0.03	
	Was_very_attentive30	0.07	0.03	0.09	0.00	0.91	0.10	-0.08	-0.04	0.13	0.09	0.18	0.03	-0.09	0.00	-0.06	0.04	-0.01	-0.10	0.03	
Ignored Q7	Treated_me_as_a_number16	0.16	0.01	0.03	-0.08	-0.01	0.00	0.91	-0.07	0.04	0.14	-0.10	0.06	-0.01	0.00	0.07	0.09	-0.04	0.03	0.06	-0.06
	Ignored_me43	0.13	0.06	0.00	-0.07	0.02	0.19	0.89	0.13	0.08	0.10	-0.07	-0.06	0.04	0.07	-0.03	0.08	0.13	0.08	0.11	-0.06
	Seemed_distracted6	0.21	0.04	0.07	-0.04	0.10	0.13	0.85	0.00	-0.10	0.16	-0.02	0.01	0.11	0.11	0.07	0.06	0.08	0.03	0.13	0.15
	gnored_me8	0.17	0.04	0.05	-0.05	0.03	-0.02	0.85	0.00	-0.07	0.23	-0.13	0.19	0.03	0.05	0.03	0.13	0.05	-0.05	-0.11	-0.20
professional & understanding Q8	Was_very_understanding38	0.14	-0.11	0.25	0.08	0.05	-0.04	0.07	0.82	-0.19	0.09	0.04	0.06	-0.08	0.05	0.17	0.13	0.01	0.04	0.05	0.03
	Was_very_professional28	0.14	-0.13	0.25	0.07	0.04	-0.12	0.04	0.82	-0.16	0.12	0.00	0.04	-0.07	0.07	0.18	0.15	-0.05	0.00	-0.02	0.04
	Was_very_understanding28	0.16	-0.15	0.25	0.10	0.04	-0.22	-0.01	0.79	-0.09	0.15	-0.02	0.10	-0.11	0.01	0.14	0.14	-0.08	-0.06	-0.15	0.04
	Was_very_personable24	0.11	0.09	0.05	0.21	0.27	0.02	-0.02	0.51	-0.13	-0.21	0.21	-0.11	0.06	0.00	0.12	-0.23	-0.12	0.18	-0.30	0.33
	Did_not_look_me_in_the_eyes12	0.02	0.30	-0.26	-0.02	-0.29	0.15	-0.10	0.50	0.05	-0.18	-0.06	0.00	-0.04	0.29	0.07	-0.03	0.10	-0.12	0.22	-0.09
	Worked_to_resolve_any_problems27	0.04	-0.10	0.16	-0.03	0.12	-0.34	-0.08	0.43	-0.02	0.05	0.10	0.36	0.36	-0.03	-0.04	0.05	0.08	0.40	-0.13	0.06
distant and arrogantly Q9	Seemed_distant2	0.07	-0.11	-0.03	0.00	0.04	0.18	0.07	0.20	0.85	0.14	0.18	-0.17	0.02	0.05	0.05	0.01	0.01	0.08	0.15	0.16
	Was_annoyed_with_me42	0.10	-0.20	0.06	0.04	0.06	-0.03	-0.09	0.13	0.81	0.05	0.08	0.22	0.09	0.13	0.10	0.12	-0.08	-0.13	-0.21	-0.00
	as_very_abrupt1	0.16	-0.16	-0.03	0.08	0.11	0.10	0.00	0.21	0.81	0.15	0.23	-0.11	0.01	0.03	0.03	-0.05	0.01	0.01	0.05	0.21
	cted_arrogantly3	-0.01	-0.10	-0.03	0.01	0.27	-0.27	-0.01	0.07	0.76	-0.11	-0.01	0.32	0.10	-0.16	0.02	0.14	0.06	-0.04	-0.01	-0.12
Acted_arrogantly39	-0.06	-0.16	-0.16	-0.06	0.14	-0.26	0.01	0.07	0.58	-0.14	-0.13	0.23	0.05	-0.13	-0.26	0.04	-0.01	-0.11	-0.15	0.01	
friendly Q10	Was_nice_to_me20	0.08	0.08	0.09	0.09	0.16	0.08	0.21	0.03	-0.11	0.88	0.11	0.11	0.14	0.13	0.09	0.07	-0.05	0.09	-0.01	0.03
	Was_very_warm37	0.07	0.08	-0.15	0.09	0.14	0.17	0.28	0.16	-0.04	0.82	0.08	0.01	0.10	0.11	-0.02	0.03	0.05	0.14	-0.01	0.01
	Congenially47	0.19	0.07	0.03	0.16	0.17	0.10	0.09	0.07	-0.17	0.82	0.08	0.07	-0.02	-0.13	0.08	0.06	0.19	0.04	-0.08</	

**11.19 Table 19: Cronbach's  $\alpha$  Reliability test of the EQ scale Worker-Worker**

Variables	Originally Items	Cronbach's Alpha - Base Line	Cronbach's Alpha - Final
<b>Total EQ</b>	<p>Answered_all_of_my_questions1, Anticipated_my_needs2            Was_very_attentive3, <b>Was_very_available_when_needed4</b>, Treated_me_carefully5, Seemed_to_care_about_me6, Made_me_feel_comfortable7, Was_very_competent8            Considered_what_I_had_to_say9, Was_very_courteous_to_me10, Was_very_enthusiastic11, Made_a_lot_of_eye_contact_with_me12, Was_friendly13            Seemed_natural_and_genuine14, Seemed_happy_and_cheerful15, Was_helpful_to_me16, Asked_me_how_I_was17, Seemed_very_intelligent18, Seemed_interested_in_me_and_my_needs19, Was_nice_to_me20, Was_very_knowledgeable21, Listened_to_what_I_had_to_say22, Seemed_to_have_good_manners23, Was_very_personable24            Acted_in_a_personal_way25, Was_very_pleasant26            Worked_to_resolve_any_problems27, Was_very_professional28, Responded_to_my_needs_quickly29, Acted_in_a_relaxed_manner30, Respected_me31            Sincere_body_language32, Was_sincere33, Engaged_in_small_talk34            Smiled_a_lot35, Granted_my_special_requests36            Took_the_time_to_perform_his_or_her_services37, Was_very_understanding38            Was_very_warm39, as_very_abrupt1, Seemed_distant2, <b>acted_arrogantly3</b>, ad_a_bad_attitude4, rovided_bad_service5, eemed_distracted6  <b>Seemed_to_be_interested_in_business_only7</b>, gnored_me8, Indifferent9, Did_not_provide_complete_service10, Displayed_no_sense_of_humor11, <b>Did_not_look_me_in_the_eyes12</b>, Did_not_smile_at_me13            Acted_rudely_toward_me14, Un_efficeient15, Treated_me_as_a_number16, <b>Concern17</b>, <b>Was_very_knowledgeable18</b>, <b>Seemed_very_intelligent19</b>            Was_helpful_to_me20, Seemed_to_care_about_me21, Anticipated_my_needs22, Talked_with_me23, Asked_me_how_I_was24, Treated_me_carefully25            Seemed_interested_in_me_and_my_needs26, Was_sincere27            Was_very_understanding28, Seemed_to_be_very_honest29, Was_very_attentive30, Made_me_feel_comfortable31, Acted_in_a_personal_way32, Seemed_natural_and_genuine33, Considered_what_I_had_to_say34, Was_very_available_when_needed35, Respected_me36, Was_very_warm37, Civility38, <b>Acted_arrogantly39</b>, Had_a_bad_attitude40, Acted_rudely_toward_me41, Was_annoyed_with_me42, Ignored_me43, Seemed_distracted44, Did_not_smile_at_me45, Did_not_provide_complete_service46, Congeniality47, Smiled_a_lot48, Was_very_enthusiastic49, Seemed_happy_and_cheerful50, Was_very_warm51</p>	<b>0.89</b>	<b>0.91</b>
EQ1 Focused on My needs	Respected_me36, Seemed_interested_in_me_and_my_needs26, Granted_my_special_requests36, Seemed_interested_in_me_and_my_needs19, Respected_me31, Anticipated_my_needs2, Anticipated_my_needs22, Answered_all_of_my_questions1, Took_the_time_to_perform_his_or_her_services37	0.97	0.97
EQ2 Acted Indifferent and rudely	Indifferent9, Acted_rudely_toward_me14, Acted_rudely_toward_me41, Un_efficeient15, rovided_bad_service5, <b>Did_not_smile_at_me13</b> , <b>Did_not_smile_at_me45</b> , <b>Seemed_distracted44</b>	0.87	0.99
EQ3 Sincere	Seemed_to_have_good_manners23, Was_sincere27, <b>Was_very_courteous_to_me10</b> , <b>Civility38</b> , <b>Was_sincere33</b> , <b>Sincere_body_language32</b>	0.96	0.99
EQ4 warm and Smiled	Smiled_a_lot35, Was_very_warm39, Smiled_a_lot48, <b>Was_very_warm51</b> , <b>Seemed_to_be_interested_in_business_only7</b>	0.92	1.00
EQ5 happy and enthusiastic	Seemed_happy_and_cheerful15, Was_very_enthusiastic49, <b>Was_very_enthusiastic11</b> , Seemed_happy_and_cheerful50	0.97	0.97
EQ6 Good Communication	Talked_with_me23, Was_very_attentive3, Was_very_attentive30	0.98	0.98
EQ7 Ignored	Treated_me_as_a_number16, Ignored_me43, Seemed_distracted6, gnored_me8	0.96	0.96

Variables	Originally Items	Cronbach's Alpha - Base Line	Cronbach's Alpha - Final
EQ8 professional and understanding	Was_very_understanding38, Was_very_professional28, Was_very_understanding28, <b>Was_very_personable24</b> , <b>Did_not_look_me_in_the_eyes12</b> , <b>Worked_to_resolve_any_problems27</b>	0.80	0.98
EQ9 distanced and arrogantly	Seemed_distant2, <b>Was_annoied_with_me42</b> , as_very_abrupt1, <b>cted_arrogantly3</b> , <b>Acted_arrogantly39</b>	0.87	0.97
EQ10 friendly	Was_nice_to_me20, Was_very_warm37, <b>Congeniality47</b> , <b>Was_friendly13</b>	0.94	0.97
EQ11 available	Was_very_available_when_needed4, Was_very_available_when_needed35, <b>Responded_to_my_needs_quickly29</b> , <b>Did_not_provide_complete_service10</b>	0.58	0.98
EQ12 care and natural	Seemed_to_care_about_me21, Seemed_to_care_about_me6, Seemed_natural_and_genuine33, Seemed_natural_and_genuine14, <b>Listened_to_what_I_had_to_say22</b>	0.61	0.83
EQ13 comfortable and Considered	Made_me_feel_comfortable7, Made_me_feel_comfortable31, Considered_what_I_had_to_say9, Considered_what_I_had_to_say34, <b>Displayed_no_sense_of_humor11</b>	0.80	0.82
EQ14 Personal	Acted_in_a_personal_way25, Acted_in_a_personal_way32, Engaged_in_small_talk34, Was_very_pleasant26	0.88	0.88
EQ15 Not intelligent but honest	Seemed_very_intelligent19 Seemed_very_intelligent18 <b>Seemed_to_be_very_honest29</b> <b>Asked_me_how_I_was17</b> <b>Acted_in_a_relaxed_manner30</b>	-0.09	0.82
EQ16 bad attitude and competent	Had_a_bad_attitude40, Had_a_bad_attitude4, <b>Was_very_competent8</b>	0.79	1.00
EQ17 Helpful	Was_helpful_to_me20 Asked_me_how_I_was24 <b>Did_not_provide_complete_service46</b> Was_helpful_to_me16	0.62	0.76
EQ18 Carefully	Treated_me_carefully25, Treated_me_carefully5	0.89	0.89
EQ19 Concern and eye contact	Concern17, Made_a_lot_of_eye_contact_with_me12	0.26	0.26
EQ20 knowledgeable	Was_very_knowledgeable18, Was_very_knowledgeable21	0.64	0.64

All factors are normalized with means 0 and standard deviation 1. However three factors were found to have normal B distribution: available; distanced and arrogant, focused on my needs as may be seen in graphs 4-6. It has been examined if it is possible that this concerns two groups of employees all long the same factors- it has been found that there is no connection between the groups (table 12).

**11.20 Table 20: Kendall's tau\_b Correlations – Distance, Available, Available Splits (W-W)**

	<b>Correlations</b> Kendall's tau_b	F9_Distance_S plit	F11_Avalable_ Split
F9_Distance_Split	Correlation Coefficient	1.000	
	Sig. (2-tailed)	.	
	N	56	
F11_Avalable_Split	Correlation Coefficient	.211	1.000
	Sig. (2-tailed)	.118	.
	N	56	56
F1_Focused_Split	Correlation Coefficient	.125	-.031
	Sig. (2-tailed)	.352	.821
	N	56	56

11.21 Table 21: Rotated Factor Analysis – Customer – Worker

100.0		Factor	1	2	3	4	5	6	7	8	9
Factor	% of Variance		20.9	17.6	14.2	11.9	9.6	8.6	6.8	5.7	4.7
Cold and Distanced Q1	Seemed_distant2	0.95	0.11	-0.16	0.06	-0.03	-0.13	0.03	0.00	-0.18	
	Was_very_warm39	-0.89	0.11	-0.22	0.13	0.24	-0.20	-0.16	0.00	-0.11	
	Considered_what_I_had_to_say34	0.89	0.12	-0.11	0.05	0.06	-0.01	0.09	0.36	-0.21	
	Asked_me_how_I_was17	0.88	-0.18	0.13	0.33	0.03	-0.12	-0.05	0.17	0.16	
	Anticipated_my_needs22	0.88	-0.18	0.13	0.33	0.03	-0.12	-0.05	0.17	0.16	
	Un_efficient15	0.81	0.47	0.21	-0.13	-0.21	0.04	0.00	-0.03	0.10	
	Was_helpful_to_me20	-0.81	0.15	0.40	0.13	0.20	-0.28	-0.13	0.03	-0.11	
	Was_very_understanding38	-0.75	-0.46	-0.12	-0.27	-0.05	0.26	0.20	-0.12	-0.14	
	Was_nice_to_me20	-0.74	-0.35	-0.25	0.16	0.10	0.19	-0.10	0.11	0.41	
	Did_not_look_me_in_the_eyes12	0.71	0.19	-0.44	-0.16	-0.03	0.28	0.23	-0.23	-0.23	
	Was_very_available_when_needed4	-0.69	0.28	-0.34	0.15	0.13	-0.36	0.34	0.16	-0.12	
	Acted_in_a_personal_way32	0.64	-0.10	0.29	-0.14	-0.09	0.36	0.23	0.52	0.08	
	Indifferent9	0.64	0.14	-0.22	-0.22	0.02	0.03	-0.43	-0.32	-0.42	
	Acted_arrogantly3	0.63	0.17	0.23	0.29	0.47	-0.40	0.19	-0.16	0.00	
	Was_sincere27	0.61	0.03	0.15	0.50	0.42	0.32	0.22	-0.16	0.06	
	Responded_to_my_needs_quickly29	-0.60	-0.07	-0.24	0.10	0.00	-0.58	-0.39	0.28	-0.01	
Seemed_to_be_interested_in_business_only7	0.47	0.24	0.02	-0.27	0.20	0.45	0.42	0.39	0.28		
Seemed_to_be_very_honest29	0.44	0.27	0.43	-0.36	0.27	-0.29	0.41	0.29	-0.09		
Bad_service Q2	Ignored_me43	-0.03	0.94	0.01	-0.02	0.03	-0.23	-0.24	-0.04	0.00	
	Provided_bad_service5	-0.03	0.94	0.01	-0.02	0.03	-0.23	-0.24	-0.04	0.00	
	Acted_rudely_toward_me41	-0.03	0.94	0.01	-0.02	0.03	-0.23	-0.24	-0.04	0.00	
	Seemed_very_intelligent19	-0.13	-0.82	0.14	-0.01	0.08	0.35	-0.37	-0.15	0.02	
	Was_annoyed_with_me42	0.12	0.75	0.13	-0.50	-0.29	0.17	0.05	-0.20	-0.04	
	Was_friendly13	0.12	0.75	0.13	-0.50	-0.29	0.17	0.05	-0.20	-0.04	
	Treated_me_as_a_number16	0.12	0.75	0.13	-0.50	-0.29	0.17	0.05	-0.20	-0.04	
	Was_very_warm51	0.01	0.69	0.08	0.30	0.46	0.31	0.14	-0.32	-0.06	
	Talked_with_me23	0.48	0.68	0.30	0.34	-0.12	0.18	0.12	0.19	0.11	
	Made_me_feel_comfortable7	0.50	0.67	0.22	-0.10	0.02	0.36	0.18	-0.27	0.01	
Made_a_lot_of_eye_contact_with_me12	0.24	-0.54	0.11	0.32	-0.08	-0.16	-0.25	0.39	0.53		
Knowledgeable and understand Q3	Was_very_knowledgeable21	0.03	0.08	0.98	0.02	-0.05	-0.15	0.02	0.04	-0.02	
	Was_very_understanding28	0.03	0.08	0.98	0.02	-0.05	-0.15	0.02	0.04	-0.02	
	Acted_in_a_personal_way25	-0.03	-0.08	-0.98	-0.02	0.05	0.15	-0.02	-0.04	0.02	
	Had_a_bad_attitude4	-0.05	0.65	-0.73	-0.03	0.06	-0.06	-0.20	-0.07	0.01	
	Seemed_to_care_about_me21	0.05	-0.65	0.73	0.03	-0.06	0.06	0.20	0.07	-0.01	
	Was_very_abrupt1	-0.06	-0.06	-0.72	-0.22	0.21	-0.44	-0.41	-0.18	-0.02	
	Was_very_competent18	0.13	-0.41	-0.68	0.03	-0.07	0.05	0.57	0.15	-0.01	
	Treated_me_carefully5	-0.33	-0.10	-0.67	0.45	-0.43	0.12	0.13	-0.13	0.08	
	Was_helpful_to_me16	-0.33	-0.10	-0.67	0.45	-0.43	0.12	0.13	-0.13	0.08	
	Seemed_to_have_good_manners23	-0.34	-0.58	-0.64	-0.28	-0.22	0.03	0.00	0.09	-0.02	
	Had_a_bad_attitude40	-0.22	0.45	-0.56	-0.19	0.29	-0.33	0.05	-0.21	0.39	
Seemed_happy_and_cheerful50	-0.22	0.45	-0.56	-0.19	0.29	-0.33	0.05	-0.21	0.39		
Seemed_distracted44	0.33	0.26	-0.53	0.35	0.04	0.32	0.32	-0.37	-0.27		
Worked_to_resolve_any_problems27	0.49	0.08	0.49	-0.36	0.23	-0.29	-0.20	-0.45	-0.05		
intelligent and Listened Q4	Seemed_very_intelligent18	0.01	-0.05	0.04	0.98	0.12	-0.08	0.06	-0.04	0.11	
	Listened_to_what_I_had_to_say22	0.14	0.04	-0.01	0.95	-0.07	0.14	-0.11	0.08	-0.18	
	Was_very_knowledgeable18	-0.16	0.44	0.03	-0.78	0.02	0.09	-0.09	0.38	-0.10	
	Displayed_no_sense_of_humor11	0.07	0.13	-0.55	-0.74	-0.14	0.00	0.29	0.12	-0.09	
	Considered_what_I_had_to_say9	-0.07	-0.01	0.25	0.71	0.01	0.40	0.35	0.37	0.08	
	Smiled_a_lot35	0.10	-0.32	-0.44	0.70	0.03	-0.02	0.43	0.08	0.07	
	Did_not_provide_complete_service10	0.60	0.30	0.19	0.69	-0.06	-0.03	0.05	-0.05	0.16	
	Seemed_interested_in_me_and_my_needs19	0.11	-0.16	-0.10	0.69	0.29	0.62	-0.03	0.05	0.10	
	Was_very_enthusiastic49	-0.06	-0.08	0.20	-0.66	-0.03	0.03	0.48	-0.34	0.40	
	Anticipated_my_needs2	-0.19	-0.06	-0.16	0.64	0.42	-0.46	-0.30	0.22	0.05	
Acted_arrogantly39	0.35	0.21	0.32	0.51	-0.32	-0.01	0.38	-0.28	0.39		
Civility38	-0.36	-0.28	0.43	0.47	0.32	0.29	0.05	0.04	0.44		
Harrid Q5	Answered_all_of_my_questions1	0.23	-0.17	0.18	-0.05	-0.92	-0.01	0.14	0.02	0.13	
	Acted_rudely_toward_me14	0.22	0.34	0.20	-0.33	-0.80	0.10	0.12	-0.11	0.07	
	Seemed_natural_and_genuine14	0.12	-0.24	0.08	0.41	-0.74	-0.35	-0.07	0.19	0.18	
	Granted_my_special_requests36	0.24	-0.17	-0.17	0.30	0.74	0.12	0.47	0.06	-0.08	
	Seemed_interested_in_me_and_my_needs26	0.68	0.05	0.04	-0.07	0.70	0.21	0.02	-0.02	-0.02	
	Was_very_warm37	0.00	-0.19	-0.34	-0.09	-0.68	0.26	0.19	0.50	0.11	
	Was_very_professional28	0.09	-0.12	0.05	0.50	0.67	-0.32	0.14	-0.09	0.39	
	Took_the_time_to_perform_his_or_her_services37	-0.20	0.11	0.49	-0.39	0.66	-0.05	0.23	-0.22	0.16	
	Was_very_enthusiastic11	0.36	0.01	-0.48	0.20	0.59	-0.26	0.25	0.10	-0.33	
	Was_very_personable24	-0.44	0.34	0.09	-0.28	-0.59	-0.22	0.09	-0.18	-0.41	
	Treated_me_carefully25	-0.55	-0.39	0.33	-0.23	0.56	-0.14	-0.10	0.13	-0.17	
Was_very_available_when_needed35	-0.55	-0.39	0.33	-0.23	0.56	-0.14	-0.10	0.13	-0.17		
Was_very_courteous_to_me10	0.44	-0.30	0.36	0.28	0.55	0.14	-0.08	0.19	0.39		
Ignored_me8	0.47	0.48	0.13	-0.47	-0.50	-0.16	-0.14	0.07	0.07		
relaxed and Focused Q6	Acted_in_a_relaxed_manner30	0.11	-0.19	-0.13	0.23	0.12	0.93	0.02	0.03	0.07	
	Did_not_smile_at_me45	0.15	0.00	0.15	0.08	-0.36	-0.90	-0.05	0.09	0.06	
	Asked_me_how_I_was24	0.28	-0.26	-0.01	-0.16	-0.49	0.75	0.02	0.10	0.11	
	Concern17	-0.08	0.19	0.21	-0.25	0.25	-0.73	0.06	0.49	-0.09	
Seemed_distracted6	0.25	0.58	-0.31	-0.13	0.18	0.59	0.23	0.24	0.00		
Was_very_attentive3	0.25	0.58	-0.31	-0.13	0.18	0.59	0.23	0.24	0.00		
Don't Respected Q7	Respected_me31	-0.28	0.30	0.05	0.05	-0.01	0.10	-0.90	-0.03	0.08	
	Seemed_happy_and_cheerful15	-0.20	-0.26	-0.17	0.09	0.12	0.27	0.87	-0.05	-0.12	
	Did_not_smile_at_me13	-0.06	0.34	0.45	-0.25	-0.12	0.25	0.70	-0.14	-0.13	
	Smiled_a_lot48	-0.56	-0.21	0.05	-0.37	-0.18	-0.02	-0.68	-0.07	-0.02	
	Seemed_to_care_about_me6	-0.20	-0.27	-0.57	-0.05	0.15	0.33	-0.62	-0.23	0.04	
Was_very_attentive30	-0.49	-0.09	0.31	-0.19	-0.27	0.20	0.59	0.17	0.36		
Was_very_pleasant26	0.31	0.01	0.31	-0.43	-0.27	-0.24	-0.47	0.44	-0.28		
Seemed_natural Q8	Seemed_natural_and_genuine33	0.19	-0.19	0.12	-0.08	-0.11	-0.14	-0.11	0.92	0.09	
	Congeniality47	-0.45	-0.17	0.23	0.18	-0.05	-0.02	0.28	0.78	-0.02	
	Made_me_feel_comfortable31	0.56	-0.15	0.20	0.26	0.17	0.09	0.04	0.70	0.12	
sincere Q9	Sincere_body_language32	0.08	0.19	-0.07	0.05	-0.17	0.38	-0.16	0.14	0.85	
	Respected_me36	-0.41	-0.30	0.28	-0.09	0.36	0.13	-0.33	0.29	-0.56	
	Engaged_in_small_talk34	0.28	-0.32	-0.37	0.48	-0.09	-0.26	0.27	-0.11	0.54	
	Did_not_provide_complete_service46	0.42	0.52	0.24	-0.12	0.12	0.10	0.27	-0.34	-0.52	
Was_sincere33	-0.32	0.16	0.50	-0.29	-0.42	-0.06	-0.23	0.22	0.51		

**11.22 Table 22: Cronbach's  $\alpha$  Reliability test of the EQ scale  
Customer-Worker**

Variables	Originally Items	Cronbach's Alpha - Base Line	Cronbach's Alpha - Final
<b>Total EQ</b>	<p>Answered_all_of_my_questions1, Anticipated_my_needs2  Was_very_attentive3, <b>Was_very_available_when_needed4</b>, Treated_me_carefully5, Seemed_to_care_about_me6, Made_me_feel_comfortable7, Was_very_competent8  Considered_what_I_had_to_say9, Was_very_courteous_to_me10, Was_very_enthusiastic11, Made_a_lot_of_eye_contact_with_me12, Was_friendly13  Seemed_natural_and_genuine14, Seemed_happy_and_cheerful15, Was_helpful_to_me16, Asked_me_how_I_was17, Seemed_very_intelligent18, Seemed_interested_in_me_and_my_needs19, Was_nice_to_me20, Was_very_knowledgeable21, Listened_to_what_I_had_to_say22, Seemed_to_have_good_manners23, Was_very_personable24  Acted_in_a_personal_way25, Was_very_pleasant26  Worked_to_resolve_any_problems27, Was_very_professional28, Responded_to_my_needs_quickly29, Acted_in_a_relaxed_manner30, Respected_me31  Sincere_body_language32, Was_sincere33, Engaged_in_small_talk34  Smiled_a_lot35, Granted_my_special_requests36  Took_the_time_to_perform_his_or_her_services37, Was_very_understanding38  Was_very_warm39, as_very_abrupt1, Seemed_distant2, <b>acted_arrogantly3</b>, ad_a_bad_attitude4, rovided_bad_service5, eemed_distracted6  <b>Seemed_to_be_interested_in_business_only7</b>, gnored_me8, Indifferent9, Did_not_provide_complete_service10, Displayed_no_sense_of_humor11, <b>Did_not_look_me_in_the_eyes12</b>, Did_not_smile_at_me13  Acted_rudely_toward_me14, Un_efficeient15, Treated_me_as_a_number16, <b>Concern17, Was_very_knowledgeable18, Seemed_very_intelligent19</b>  Was_helpful_to_me20, Seemed_to_care_about_me21, Anticipated_my_needs22, Talked_with_me23, Asked_me_how_I_was24, Treated_me_carefully25  Seemed_interested_in_me_and_my_needs26, Was_sincere27  Was_very_understanding28, Seemed_to_be_very_honest29, Was_very_attentive30, Made_me_feel_comfortable31, Acted_in_a_personal_way32, Seemed_natural_and_genuine33, Considered_what_I_had_to_say34, Was_very_available_when_needed35, Respected_me36, Was_very_warm37, Civility38, <b>Acted_arrogantly39</b>, Had_a_bad_attitude40, Acted_rudely_toward_me41, Was_annoyed_with_me42, Ignored_me43, Seemed_distracted44, Did_not_smile_at_me45, Did_not_provide_complete_service46, Congeniality47, Smiled_a_lot48, Was_very_enthusiastic49, Seemed_happy_and_cheerful50, Was_very_warm51</p>	<b>0.89</b>	<b>0.91</b>
EQ1 Focused on My needs	Respected_me36, Seemed_interested_in_me_and_my_needs26, Granted_my_special_requests36, Seemed_interested_in_me_and_my_needs19, Respected_me31, Anticipated_my_needs2, Anticipated_my_needs22, Answered_all_of_my_questions1, Took_the_time_to_perform_his_or_her_services37	0.97	0.97
EQ2 Acted Indifferent and rudely	Indifferent9, Acted_rudely_toward_me14, Acted_rudely_toward_me41, Un_efficeient15, rovided_bad_service5, <b>Did_not_smile_at_me13, Did_not_smile_at_me45, Seemed_distracted44</b>	0.87	0.99
EQ3 Sincere	Seemed_to_have_good_manners23, Was_sincere27, <b>Was_very_courteous_to_me10, Civility38, Was_sincere33, Sincere_body_language32</b>	0.96	0.99
EQ4 warm and Smiled	Smiled_a_lot35, Was_very_warm39, Smiled_a_lot48, <b>Was_very_warm51, Seemed_to_be_interested_in_business_only7</b>	0.92	1.00
EQ5 happy and enthusiastic	Seemed_happy_and_cheerful15, Was_very_enthusiastic49, <b>Was_very_enthusiastic11, Seemed_happy_and_cheerful50</b>	0.97	0.97
EQ6 Good Communication	Talked_with_me23, Was_very_attentive3, Was_very_attentive30	0.98	0.98
EQ7 Ignored	Treated_me_as_a_number16, Ignored_me43, Seemed_distracted6, gnored_me8	0.96	0.96

Variables	Originally Items	Cronbach's Alpha - Base Line	Cronbach's Alpha - Final
EQ8 professional and understanding	Was_very_understanding38, Was_very_professional28, Was_very_understanding28, <b>Was_very_personable24</b> , <b>Did_not_look_me_in_the_eyes12</b> , <b>Worked_to_resolve_any_problems27</b>	0.80	0.98
EQ9 distanced and arrogant	Seemed_distant2, <b>Was_annoied_with_me42</b> , as_very_abrupt1, <b>cted_arrogantly3</b> , <b>Acted_arrogantly39</b>	0.87	0.97
EQ10 friendly	Was_nice_to_me20, Was_very_warm37, <b>Congeniality47</b> , <b>Was_friendly13</b>	0.94	0.97
EQ11 available	Was_very_available_when_needed4, Was_very_available_when_needed35, <b>Responded_to_my_needs_quickly29</b> , <b>Did_not_provide_complete_service10</b>	0.58	0.98
EQ12 caring and natural	Seemed_to_care_about_me21, Seemed_to_care_about_me6, Seemed_natural_and_genuine33, Seemed_natural_and_genuine14, <b>Listened_to_what_I_had_to_say22</b>	0.61	0.83
EQ13 comfortable and Considerate	Made_me_feel_comfortable7, Made_me_feel_comfortable31, Considered_what_I_had_to_say9, Considered_what_I_had_to_say34, <b>Displayed_no_sense_of_humor11</b>	0.80	0.82
EQ14 Personal	Acted_in_a_personal_way25, Acted_in_a_personal_way32, Engaged_in_small_talk34, Was_very_pleasant26	0.88	0.88
EQ15 Not intelligent but honest	Seemed_very_intelligent19 Seemed_very_intelligent18 <b>Seemed_to_be_very_honest29</b> <b>Asked_me_how_I_was17</b> <b>Acted_in_a_relaxed_manner30</b>	-0.09	0.82
EQ16 bad attitude & competence	Had_a_bad_attitude40, Had_a_bad_attitude4, <b>Was_very_competent8</b>	0.79	1.00
EQ17 Helpful	Was_helpful_to_me20 Asked_me_how_I_was24 <b>Did_not_provide_complete_service46</b> Was_helpful_to_me16	0.62	0.76
EQ18 Carefully	Treated_me_carefully25, Treated_me_carefully5	0.89	0.89
EQ19 Concern and eye contact	Concern17, Made_a_lot_of_eye_contact_with_me12	0.26	0.26
EQ20 knowledgeable	Was_very_knowledgeable18, Was_very_knowledgeable21	0.64	0.64

The EQ variables were not diminished since they were transferred to employees as well as customers and this requires comparison between the results.

**11.23 Table 23: Rotated Component Matrix (a)**

% of Variance	64.4%	17.0%
Factor	External EQ abilities	Internal EQ abilities
EQ10	<b>0.93</b>	0.06
EQ8	<b>0.89</b>	0.35
EQ12	<b>0.64</b>	<b>0.52</b>
EQ7	0.18	<b>0.91</b>
EQ9	0.17	<b>0.83</b>
EQ11	<b>0.60</b>	<b>0.71</b>

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 3 iterations

**11.24 Table 24: Rotated Component Matrix (a)**

% of Variance	45.6	22.4	19.0
Factor	Efficient	Attractive and Loyal	Enjoying without real value
PSV19	<b>0.97</b>	0.01	0.17
PSV20	<b>0.96</b>	0.26	0.01
PSV17	<b>0.94</b>	-0.01	-0.23
PSV21	<b>0.90</b>	0.24	0.02
PSV16	-0.07	<b>0.93</b>	0.18
PSV15	-0.09	<b>-0.85</b>	0.17
PSV13	<b>0.56</b>	<b>0.69</b>	-0.32
PSV22	0.30	<b>0.60</b>	0.05
PSV18	0.09	-0.30	<b>-0.94</b>
PSV14	0.09	<b>-0.36</b>	<b>0.89</b>
% of Variance	45.6	<b>22.4</b>	<b>19.0</b>
Factor	Efficient	Attractive and Loyal	Enjoying without real value
PSV19	0.97	<b>0.01</b>	<b>0.17</b>
PSV20	0.96	<b>0.26</b>	<b>0.01</b>
PSV17	0.94	<b>-0.01</b>	<b>-0.23</b>
PSV21	0.90	<b>0.24</b>	<b>0.02</b>
PSV16	-0.07	<b>0.93</b>	<b>0.18</b>
PSV15	-0.09	<b>-0.85</b>	<b>0.17</b>
PSV13	0.56	<b>0.69</b>	<b>-0.32</b>
PSV22	0.30	<b>0.60</b>	<b>0.05</b>
PSV18	0.09	<b>-0.30</b>	<b>-0.94</b>
PSV14	0.09	<b>-0.36</b>	<b>0.89</b>

### 11.25 Table 25: Rotated Component Matrix (a)

% of Variance	69.2	25.2
Factor	alienated	arrogant
COM 41	<b>0.97</b>	0.10
COM 39	<b>-0.95</b>	0.13
COM 40	<b>0.93</b>	-0.24
COM 42	-0.08	<b>0.99</b>

### 11.26 Table 26: Cronbach's $\alpha$ Reliability test of final study

The variable	Originally Items	Cronbach's Alpha – Base Line	Remained Items	Cronbach's Alpha - Final
<b>Innovation<sup>4</sup></b>	1-6	<b>0.953</b>	1,3,5-6	<b>0.967</b>
<b>EQ</b>	7-12	<b>0.875</b>	7-12	<b>0.875</b>
EQ: External EQ abilities	8, 10,12	<b>0.804</b>	8, 10	<b>0.842</b>
EQ: Internal EQ abilities	7, 9, 11	<b>0.804</b>	7, 11	<b>0.821</b>
<b>Perceived service value<sup>1</sup></b>	13-22	<b>0.772</b>	19, 20	<b>0.970</b>
PSV: Efficient	17, 19,20, 21	<b>0.956</b>	17, 19,20, 21	<b>0.956</b>
PSV: Attractive and Loyal	13,15, 16,22	<b>0.237</b>	13, 16,22	<b>0.723</b>
PSV: Enjoying without real value	18,14	-	18,14	-
<b>EC:Affective commitment<sup>1</sup></b>	24-29	<b>0.895</b>	24-29	<b>0.895</b>
EC: Familial feelings	27 ,28 ,29	<b>0.844</b>	27 ,28	<b>0.882</b>
EC: Recommendation	24 ,31 ,32	<b>0.792</b>	24 ,31 ,32	<b>0.792</b>
EC: Comfort feelings	25 ,26 ,30	<b>0.764</b>	25 ,26 ,30	<b>0.764</b>
<b>PI: Purchase intention<sup>1</sup></b>	23, 33,34	<b>0.291</b>	23,33	<b>0.789</b>
<b>Word of mouth<sup>1</sup></b>	30-32	<b>0.880</b>	30,32	<b>0.941</b>
<b>PrIn: Price insensitivity</b>	35-38	<b>0.819</b>	36-37	<b>0.962</b>
<b>COM: Complain behavior</b>	39-42	<b>0.542</b>	40-41	<b>0.914</b>

In literature it has been found that performing weighed linear interpolation (net promoter score) for Purchase Intention is the best predictor of customers' loyalty through the sum of three variables that range from 3 to 15 on a scale of 0-10.

I encourage friends and relatives to do business With Orian	I recommend Orian to anyone asking for my advise	say positive things about Orian to other people
EC32	EC31	EC30

$$-A * 3 - b = 0$$

$$A * 15 + b = 10$$

<sup>4</sup> Items: 6, 14, 24, 31-34 were deleted. All values were constant "4". The items are not sensitive enough.

12 a = 10

A=10/12

B= 10 – 75/6

On the next stage weighing of the scale was performed according to the involvement measure in encouraging purchase in each one of the following questions: " I encourage friends and relatives to do business with Orian" got the weight of 0.5; "I recommend Orian to anyone asking for my advise" gained the weight of 1/3 and "I say positive things about Orian to other people" gained the weight of 1/6.

**11.27 Table 27: the connection between the dependent variables and the Demographic variables (n=60)**

Pearson Correlation Sig. (2-tailed) <sup>5</sup>	MALE	AGE
PI_Promotor (net promoter score) (WOM)	<b>.11</b> .798	<b>-.27</b> .525
PI	<b>.12</b> .785	<b>-.22</b> .599
E_PRICE	<b>-.20</b> .630	<b>-.23</b> .589
COM	<b>.08</b> .855	<b>-.27</b> .512

**11.28 Table 28: analysis of the factors of the explaining variables (n=60)**

	Component	% of Variance
INOV	.908	85.9
EQ	.875	9.7
PSV	.976	3.4
EC	.944	1.1

---

<sup>5</sup> A similar results of correlation with Kendall Tau b Correlation Coefficients were calculated for the dichotomous variable Male (=1).

**11.29 Table 29 analysis of the factors of the dependent variables (n=60)**

	Component	
	1	2
	Aiming to spend money on purchase	Consumers' behavior
% of Variance	50.9%	24.7%
PI_Promotor	<b>.958</b>	-.116
E_PRICE	<b>.857</b>	.087
PI	<b>.786</b>	.501
B	<b>.496</b>	<b>-.278</b>
COM	-.036	<b>.956</b>

**11.30 Table 30: the connection between PEQSP and PSV (n=49)**

Pearson Correlation Sig. (2-tailed)	EQ_TOT	EQ_ext	EQ_int
PSV_TOT	.435(**)	.310(*)	.330(*)
	.002	.030	.021
PSV_efficient	.442(**)	.322(*)	.320(*)
	.001	.024	.025
PSV_attractive	.586(**)	.421(**)	.471(**)
	.000	.003	.001

\*\* Correlation is significant at the 0.01 level (2-tailed).

- Correlation is significant at the 0.05 level (2-tailed).

**11.31 Table 31: the connection between PSI and PSV (n=49)**

Pearson Correlation Sig. (2-tailed)	PSV_TOT	PSV_efficient	PSV_attractive
PCI	.450(**)	.547(**)	.501(**)
	.001	.000	.000

\*\* Correlation is significant at the 0.01 level (1-tailed).

**11.32 Table 32: the connection between PSV and CAC (n=49)**

Pearson Correlation Sig. (2-tailed)	CAC_TOT EC:Affective commitment1	CAC_FF EC: Familial feelings	CAC_R EC: Recommendation	CAC_CF EC: Comfort feelings
PSV_TOT Perceived service value1	.502(**) .000	.342(**) .008	.358(**) .006	.440(**) .001
PSV_efficient PSV: Efficient	.631(**) .000	.544(**) .000	.479(**) .000	.437(**) .001
PSV_attractive PSV: Attractive and Loyal	.493(**) .000	.458(**) .000	.424(**) .001	.354(**) .006

(\*\* Correlation is significant at the 0.01 level (1-tailed).

**11.33 Table 33: the connection between CAC and WOM**

Pearson Correlation Sig. (1-tailed)	WOM Word of mouth1
CAC_TOT EC:Affective commitment1	.535(**) .000
CAC_FF EC: Familial feelings	.620(**) .000
CAC_R EC: Recommendation	.886(**) .000
CAC_CF EC: Comfort feelings	.658(**) .000

(n=49)

\*\* Correlation is significant at the 0.01 level (1-tailed).

**11.34 Table 34: the connection between CAC and PI**

Pearson Correlation Sig. (1-tailed)	PI Purchase intention1
CAC_TOT EC:Affective commitment1	.495(**) .000
CAC_FF EC: Familial feelings	.441(**) .001
CAC_R EC: Recommendation	.528(**) .000
CAC_CF EC: Comfort feelings	.546(**) .000

(n=49)

\*\* Correlation is significant at the 0.01 level (1-tailed).

**11.35 Table 35: the connection between CAC and PrIn**

Pearson Correlation Sig. (1-tailed)	PrIn Price insensitivity
CAC_TOT EC: Affective commitment1	.185 .102
CAC_FF EC: Familial feelings	.051 .364
CAC_R EC: Recommendation	.146 .159
CAC_CF EC: Comfort feelings	.127 .193

(n=49)

\*\* Correlation is significant at the 0.01 level (1-tailed).

**11.36 Table 36: the connection between CAC and COM (n= 49)**

	COM Complains behavior
CAC_TOT EC: Affective commitment1	-.274(*) .028
CAC_FF EC: Familial feelings	-.244(*) .046
CAC_R EC: Recommendation	-.218 .066
CAC_CF EC: Comfort feelings	-.186 .101

\*\* Correlation is significant at the 0.05 level (1-tailed).

\*\* Correlation is significant at the 0.01 level (1-tailed).

**11.37 Table 37: the connection between PSV and WOM (n= 49)**

	WOM Word of mouth1
PSV_TOT Perceived service value1	.379(**) .004
PSV_efficient PSV: Efficient	.504(**) .000
PSV_attractive PSV: Attractive and Loyal	.414(**) .002

\*\* Correlation is significant at the 0.01 level (1-tailed).

**11.38 Table 38: the connection between PSV and PI (n=49)**

	PI Purchase intention1
PSV_TOT Perceived service value1	.462(**) .000
PSV_efficient PSV: Efficient	.555(**) .000
PSV_attractive PSV: Attractive and Loyal	.562(**) .000
	PI Purchase intention1
PSV_TOT Perceived service value1	.462(**) .000
PSV_efficient PSV: Efficient	.555(**) .000
PSV_attractive PSV: Attractive and Loyal	.562(**) .000

**11.39 Table 39: the connection between PSV and PrIn (n=49)**

	PrIn Price insensitivity
PSV_TOT Perceived service value1	.068 .322
PSV_efficient PSV: Efficient	.097 .253
PSV_attractive PSV: Attractive and Loyal	.232 .054

\*\* Correlation is significant at the 0.01 level (1-tailed).

**11.40 Table 40: the connection between PSV and COM (n=49)**

	COM Complains behavior
PSV_TOT Perceived service value1	-.240(*) .048
PSV_efficient PSV: Efficient	-.336(**) .009
PSV_attractive PSV: Attractive and Loyal	-.510(**) .000

\* Correlation is significant at the 0.05 level (1-tailed).

\*\* Correlation is significant at the 0.01 level (1-tailed).

**11.41 Table 41: Comparing Between Evaluation of Workers and Customers (about Worker)**

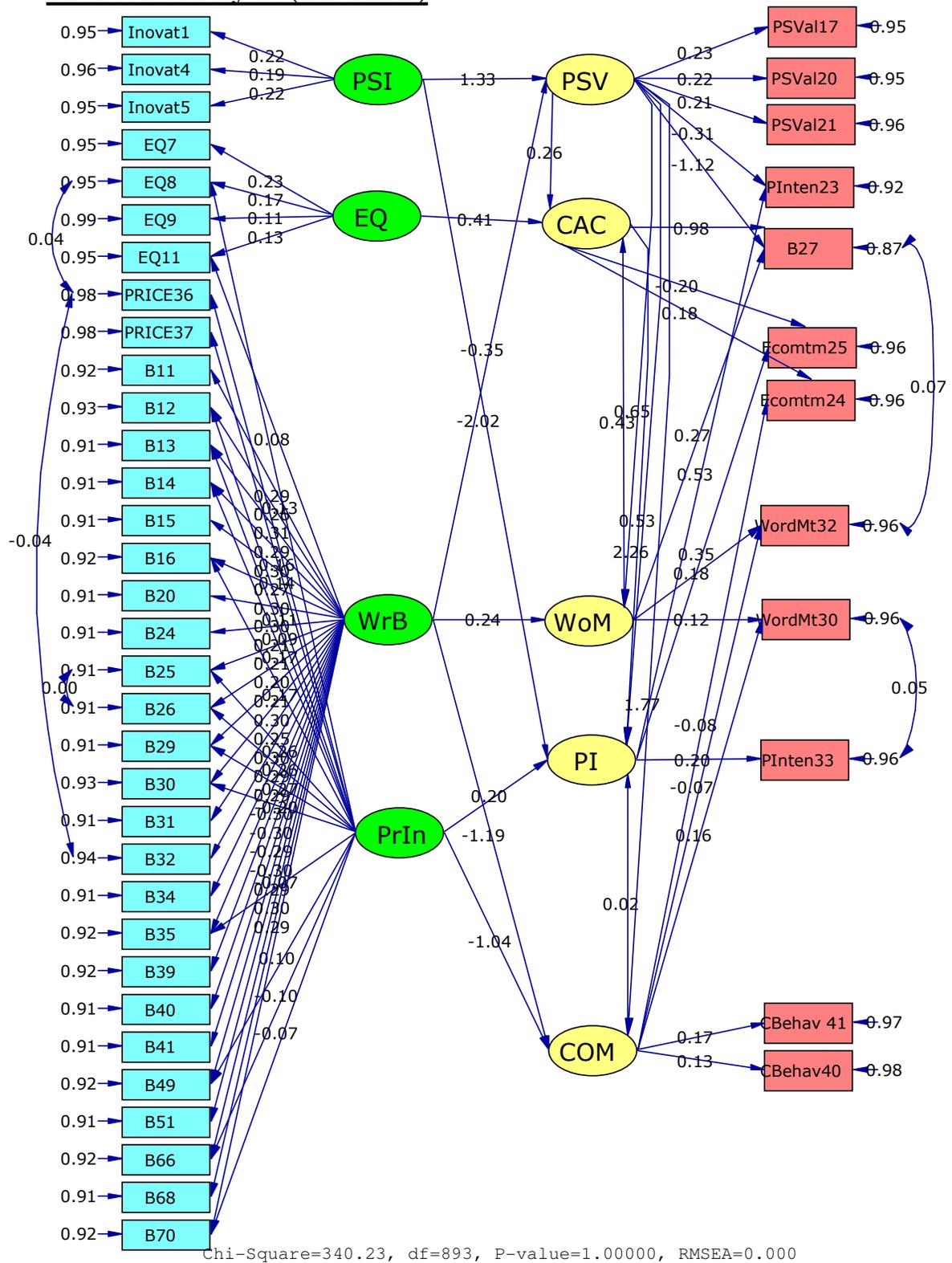
	GROUP	N	Mean	Std. Deviation	Std. Error Mean	P(t)
Provided bad service 5	0 W-W 1 C-W	55 53	4.76 1.57	0.4288 0.7723	0.0578 0.1061	0.0000
Ignored me 8	0 W-W 1 C-W	55 53	4.38 1.55	0.6802 0.6952	0.0917 0.0955	0.0000
F1 Destroying Cluster REGR factor score 1 for analysis 1	0 W-W 1 C-W	55 53	0.92 -0.95	0.2010 0.4494	0.0271 0.0617	0.0000
Has a bad attitude	0 W-W 1 C-W	55 53	4.76 3.11	0.4288 0.3752	0.0578 0.0515	0.0000
Was very abrupt 1	0 W-W 1 C-W	55 53	4.60 1.68	0.5305 0.7789	0.0715 0.1070	0.0000
Did not smile at me	0 W-W 1 C-W	55 53	4.71 3.00	0.4482 0.4043	0.0604 0.0555	0.0000
Acted rudely toward me	0 W-W 1 C-W	55 53	4.78 3.22	0.4168 0.3735	0.0562 0.0513	0.0000
Inefficient 15	0 W-W 1 C-W	55 53	4.76 1.72	0.4288 0.8175	0.0578 0.1123	0.0000
Indifferent 9	0 W-W 1 C-W	55 53	4.76 1.79	0.4288 0.8171	0.0578 0.1122	0.0000
Seemed distant 2	0 W-W 1 C-W	55 53	4.62 1.77	0.5929 0.8467	0.0799 0.1163	0.0000
Treated me as a number 16	0 W-W 1 C-W	55 53	4.33 1.66	0.6953 0.8073	0.0938 0.1109	0.0000
Did not provide complete service	0 W-W 1 C-W	55 53	4.56 2.96	0.5097 0.2372	0.0687 0.0326	0.0000
Seemed distracted	0 W-W 1 C-W	55 53	4.45 2.99	0.4780 0.3324	0.0644 0.0457	0.0000

	GROUP	N	Mean	Std. Deviation	Std. Error Mean	P(t)
Seemed to be interested in business only 7	0 W-W 1 C-W	55 53	4.40 1.91	0.7601 0.7407	0.1025 0.1017	0.0000
Did not look me in the eyes 12	0 W-W 1 C-W	55 53	4.40 1.87	0.6555 0.8557	0.0884 0.1175	0.0000
Concerned 17	0 W-W 1 C-W	55 53	4.20 1.68	0.7794 0.8032	0.1051 0.1103	0.0000
Displayed no sense of humor 11	0 W-W 1 C-W	55 53	4.27 1.91	0.8040 0.8608	0.1084 0.1182	0.0000
Acted arrogantly	0 W-W 1 C-W	55 53	4.48 3.02	0.6594 0.3247	0.0889 0.0446	0.0000
Anticipated my needs	0 W-W 1 C-W	55 53	4.61 3.75	0.4877 0.6476	0.0658 0.0890	0.0000
Was very competent 8	0 W-W 1 C-W	55 53	3.80 4.42	0.5578 0.5347	0.0752 0.0734	0.0000
Was very attentive	0 W-W 1 C-W	55 53	4.61 4.07	0.4877 0.7005	0.0658 0.0962	0.0000
Answered all of my questions 1	0 W-W 1 C-W	55 53	4.76 4.15	0.4288 0.8857	0.0578 0.1217	0.0000
Seemed to have good manners 23	0 W-W 1 C-W	55 53	4.42 3.89	0.5673 0.6978	0.0765 0.0959	0.0000
Asked me how I was	0 W-W 1 C-W	55 53	4.50 4.10	0.4194 0.5913	0.0566 0.0812	0.0001
Seemed interested in me and my needs	0 W-W 1 C-W	55 53	4.68 4.29	0.4651 0.5498	0.0627 0.0755	0.0001
Responded to my needs quickly 29	0 W-W 1 C-W	55 53	4.58 4.15	0.5337 0.6323	0.0720 0.0869	0.0002
Respected me	0 W-W 1 C-W	55 53	4.68 4.30	0.4651 0.6381	0.0627 0.0876	0.0007
Considered what I had to say	0 W-W 1 C-W	55 53	4.17 4.54	0.6682 0.4789	0.0901 0.0658	0.0015
Was very available when needed	0 W-W 1 C-W	55 53	4.59 4.23	0.4915 0.6763	0.0663 0.0929	0.0019
Talked with me 23	0 W-W 1 C-W	55 53	4.60 4.25	0.5305 0.7821	0.0715 0.1074	0.0072
Seemed to be very honest 29	0 W-W 1 C-W	55 53	4.64 4.32	0.4855 0.7278	0.0655 0.1000	0.0097
Granted my special requests 36	0 W-W 1 C-W	55 53	4.65 4.36	0.4799 0.7363	0.0647 0.1011	0.0156
Smiled a lot	0 W-W 1 C-W	55 53	4.25 3.94	0.7063 0.6097	0.0952 0.0837	0.0158
Was very enthusiastic 49	0 W-W 1 C-W	55 53	4.16 3.89	0.5697 0.6403	0.0768 0.0880	0.0193
Engaged in small talk 34	0 W-W 1 C-W	55 53	4.35 4.06	0.6727 0.6910	0.0907 0.0949	0.0300
Took the time to perform his or her	0 W-W 1 C-W	55 53	4.40 4.15	0.5305 0.6621	0.0715 0.0909	0.0329

	GROUP	N	Mean	Std. Deviation	Std. Error Mean	P(t)
services 37	0 W-W	55	4.15	0.6503	0.0877	
Was very enthusiastic 11	1 C-W	53	3.85	0.7695	0.1057	0.0333
	0 W-W	55	4.58	0.4691	0.0633	
Was helpful to me	1 C-W	53	4.37	0.6366	0.0874	0.0504
	0 W-W	55	4.33	0.7467	0.1007	
Ignored me 43	1 C-W	53	4.57	0.5004	0.0687	0.0531
	0 W-W	55	4.15	0.5843	0.0788	
Seemed happy and cheerful	1 C-W	53	3.93	0.5968	0.0820	0.0549
	0 W-W	55	4.42	0.4691	0.0633	
Treated me carefully	1 C-W	53	4.21	0.7235	0.0994	0.0772
	0 W-W	55	4.46	0.4893	0.0660	
Seemed to care about me	1 C-W	53	4.29	0.6610	0.0908	0.1305
F6 Efficient Available REGR factor score 6 for analysis 1	0 W-W	55	0.13	0.9493	0.1280	
	1 C-W	53	-0.13	1.0423	0.1432	0.1753
	0 W-W	55	4.21	0.6504	0.0877	
Was very understanding	1 C-W	53	4.35	0.4960	0.0681	0.2105
	0 W-W	55	4.49	0.5733	0.0773	
Worked to resolve all problems 27	1 C-W	53	4.34	0.7056	0.0969	0.2252
	0 W-W	55	4.22	0.6580	0.0887	
Was very professional 28	1 C-W	53	4.36	0.6532	0.0897	0.2688
	0 W-W	55	4.28	0.5673	0.0765	
Made me feel comfortable	1 C-W	53	4.41	0.6283	0.0863	0.2844
	0 W-W	55	0.10	0.9547	0.1287	
F2 Cared For REGR factor score 2 for analysis 1	1 C-W	53	-0.10	1.0443	0.1434	0.3034
	0 W-W	55	4.15	0.7798	0.1051	
Congeniality 47	1 C-W	53	4.28	0.8633	0.1186	0.3874
	0 W-W	55	4.42	0.5591	0.0754	
Was sincere	1 C-W	53	4.34	0.4781	0.0657	0.4338
	0 W-W	55	4.24	0.5308	0.0716	
Was very warm	1 C-W	53	4.31	0.6042	0.0830	0.5113
	0 W-W	55	4.98	6.7693	0.9128	
Seemed very intelligent	1 C-W	53	4.39	0.5936	0.0815	0.5189
	0 W-W	55	0.06	1.0882	0.1467	
F5 Pleased REGR factor score 5 for analysis 1	1 C-W	53	-0.06	0.9060	0.1245	0.5458
	0 W-W	55	4.13	0.7467	0.1007	
Listened to what I had to say 22	1 C-W	53	4.21	0.7168	0.0985	0.5702
F12 Not Stressed REGR factor score 12 for analysis 1	0 W-W	55	-0.05	0.8991	0.1212	
	1 C-W	53	0.05	1.1010	0.1512	0.5808
	0 W-W	55	4.36	0.6195	0.0835	
Sincere body language 32	1 C-W	53	4.30	0.6381	0.0876	0.6109
	0 W-W	55	4.40	0.6266	0.0845	
Was very pleasant 26	1 C-W	53	4.34	0.6778	0.0931	0.6315
	0 W-W	55	0.04	1.1229	0.1514	

	GROUP	N	Mean	Std. Deviation	Std. Error Mean	P(t)
F4 Happy REGR factor score 4 for analysis 1	1 C-W	53	-0.04	0.8628	0.1185	0.6554
	0 W-W	55	0.04	1.2208	0.1646	
F3 Valued REGR factor score 3 for analysis 1	1 C-W	53	-0.04	0.7118	0.0978	0.6724
	0 W-W	55	4.38	0.7326	0.0988	
Civility 38	1 C-W	53	4.43	0.6048	0.0831	0.6881
	0 W-W	55	4.04	0.7926	0.1069	
Was very personable 24	1 C-W	53	3.98	0.6931	0.0952	0.7004
	0 W-W	55	0.03	1.2730	0.1717	
F13 Intelligent REGR factor score 13 for analysis 1	1 C-W	53	-0.04	0.6101	0.0838	0.7175
	0 W-W	55	-0.03	1.1988	0.1616	
F8 Focused REGR factor score 8 for analysis 1	1 C-W	53	0.03	0.7502	0.1031	0.7246
	0 W-W	55	4.22	0.6856	0.0924	
Was friendly13	1 C-W	53	4.26	0.7112	0.0977	0.7330
	0 W-W	55	0.02	1.0206	0.1376	
F11 Irritated REGR factor score 11 for analysis 1	1 C-W	53	-0.03	0.9872	0.1356	0.7931
	0 W-W	55	-0.02	0.8683	0.1171	
F7 Trusted REGR factor score 7 for analysis 1	1 C-W	53	0.02	1.1288	0.1550	0.8503
	0 W-W	55	4.45	0.5666	0.0764	
Acted in a personal way	1 C-W	53	4.42	0.7030	0.0966	0.8654
	0 W-W	55	-0.02	1.1680	0.1575	
F9 Safe REGR factor score 9 for analysis 1	1 C-W	53	0.02	0.8002	0.1099	0.8702
	0 W-W	55	4.13	0.7711	0.1040	
Acted in a relaxed manner 30	1 C-W	53	4.15	0.7695	0.1057	0.8735
F10 Bad Service Responce REGR factor score 10 for analysis 1	0 W-W	55	-0.01	1.1358	0.1531	
	1 C-W	53	0.01	0.8473	0.1164	0.9085
	0 W-W	55	4.32	0.6481	0.0874	
Was very knowledgeable	1 C-W	53	4.33	0.5713	0.0785	0.9188
	0 W-W	55	4.50	0.4907	0.0662	
Seemed natural and genuine	1 C-W	53	4.49	0.6614	0.0908	0.9333
	0 W-W	55	4.71	0.4584	0.0618	
Was annoyed with me 42	1 C-W	53	4.72	0.5327	0.0732	0.9343
	0 W-W	55	4.22	0.6580	0.0887	
Made a lot of eye contact with me 12	1 C-W	53	4.21	0.6894	0.0947	0.9348
	0 W-W	55	4.45	0.5715	0.0771	
Was very courteous to me 10	1 C-W	53	4.45	0.6375	0.0876	0.9883

## 12. Path Analysis (LISREL)



## **12.1 Analysis of the Path Analysis model**

The SEM model enables seeing the entire model in one picture (a picture is worth a thousand words...) In addition to the examinations of the means' standards, the model enables performing hypotheses about covariance or variances between changing pairs, groups of examinees and so on. The variables may be latent (in the graph these are marked as ellipse) or observational indexes (marked with square) and the connections between them are causal (marked with aimed arrow) or non-causal connections (two-sided bow). The affecting variable from which the arrows are coming out (the "independent" variable) is called "Exogenous". All the other variables (affected) that the arrows do reach are called "Endogenous". A variable may be simultaneously Endogenous relatively to one variable and Exogenous about another variable.

The model presents simultaneous state of affairs of the connections systems in the research model. All the variables in this model are the ones in which the factors were validated through the reliability test while the others were subtracted. Some of the connections were added based on the Modification Index (MI) criterion. Regarding goodness of fit statistics, the final model received points at full coordination regarding Chi Square test: Chi-Square= 340.23. The model expresses almost perfectly the connections between the variables and the P-Value=1 and with RMSEA = 0 (Root Mean Square Error of Approximation). The use of standard data enables comparison of the connection's intensity between the variables and each latent variable and between the latent variables. Following is the specification of all the other indexes:

Root Mean Square Residual (RMR) = 0.079, Standardized RMR = 0.0074, Goodness of Fit Index (GFI) = 1.00, Adjusted Goodness of Fit Index (AGFI) = 1.00, Parsimony Goodness of Fit Index (PGFI) = 0.86, Normal Fit Index (NFI) = 0.96, Parsimony Normal Fit Index (PNFI) = 0.87, Relative Fit Index (RFI) = 0.96, Root Mean Square Error of Approximation (RMSEA) = 0.0, P-Value for Test of Close Fit (RMSEA < 0.05) = 1.00.

## **12.2 Comparing the SEM model with the research model**

In literature the price insensitivity is one of the dimensions expressing loyalty. Thus, in the original model, price insensitivity was added as dependent variable. Following the use of the Modification Index and the optimal examination of the connections in the model- the variable PrIn (Price Insensitivity) turned into explaining variables

instead of dependent variable. In addition, other factors were added to it from the area of emotional intelligence as follows: "EQ8- I'm pleased with Orian workers ability to put themselves mentally in another person's situation and understand how that person feels". This makes sense because the variable is essentially different from the other dependent variables that express behaviors while the price insensitivity is not necessarily the result of these but rather a source explaining the customer's behavior and belief that the company employees are empathic and act in his favor. In addition to its being Exogenous the variable CAC (Customer Affective Commitment) is also defined as Endogenous which is impacted by the PSV Exogenous (Perceived Service Value). In the original model the connection was a bilateral one and not a connection of cause-result. This is the advantage in using the SEM model which pointed at the direction of the connection and its intensity and not only if it does or does not exist. New connections were added among the dependent variables which were not expressed in the original model and these grant additional point of view about the causal connection as it will be specified later on.

### **12.3 Explaining the latent independent variables (Eta)**

The latent variable PSI (Perceived Service Innovation) is positively connected with three factors that were found to be valid: innovat1; innovat4; innovate5. The latent variable EQ (Emotional Intelligence) had positive connections with four factors that were found to be valid: EQ7; EQ8; EQ9; EQ11. The latent variable WrB (Worker Behavior) is positively connected with twenty four factors that were found to be valid and which compose the customers' perception of the employees' emotional intelligence: B11-B16, B20, B24-B26, B29-B32, B34-B35, B39-B41, B49, B66, B68, and B70. In addition, out of all the variables of employees' intelligence WrB, the model is linked with variable EQ11 (I am pleased with Orian workers' ability to communicate orally in a clear and understandable fashion). That is to say, satisfaction with the quality of the communication with the employees is also linked with high evaluation of their emotional intelligence.

The latent variable PrIn (Price Insensitivity) is positively connected with fourteen factors that were validated. Two of them are the original connections (Price36; Price 37). Factor Price 36 (Price is not an important factor in my decision to remain with Orian) with coefficient 10.71 and factor Price 37 (If Orian were to raise the price by

10% I would be likely to remain) with coefficient 10.77. The other variables were added as result of the Modification Index recommendations and are mainly linked with the area of the customers' perception of the employees' emotional intelligence. That is to say that the variable PrIn as latent variable did in fact change part of its essence when linked with the variable of emotional intelligence: "EQ8 I'm pleased with Orian workers' ability to put themselves mentally in another person's situation and understand how that person feels". There are also variables connected with the service behavior of the employees that instigates satisfaction among the customers: "B11 Was very enthusiastic ,B12 Made a lot of eye contact with me ,B13 Was friendly ,B14 Seemed happy and cheerful ,B16 Was helpful to me ,B25 Acted in a personal way ,B26 Was very pleasant ,B29 Responded to my needs quickly ,B30 Acted in a relaxed manner ,B35 Smiled a lot ,B49 Indifferent ,B51 Did not look me in the eyes ,B66 Was sincere ,B68 Seemed to be very honest ,B70 Made me feel comfortable. Hence, positive perception of the employees' behavior, especially regarding personal dimensions, leads the customer to be very pleased; they make the customer less sensitive to the prices and both act as one explaining latent variable.

Among the explaining factors there are some that are interconnected. That connection is expressed through covariance. Between the factor EQ8 (I'm pleased with Orian workers ability to put themselves mentally in another person's situation and understand how that person feels") and Price 36 ("Price is not an important factor in my decision to remain with Orian"); through covariance. That connection correlates the explanation given above. Also between Price 36 and B32 ("seemed natural and genuine") there is covariance as well as between B25 ("acted in a personal way") and B26 ("was very pleasant"). That is to say that personal attitude, sincere and true by the service provider has positive impact on the customers' satisfaction and insensitivity to price.

The factor that most impacts EQ is 7 ("I'm pleased with Orian workers' ability to change behavior, habits, and style to meet rapidly changing demands of the work environment") with coefficient 0.23. This means that readiness and ability to adapt service to the changing demands of is a most meaningful factor in the customers' perception of the service providers' EQ. The more the EQ of the employees is increased thus they are better able to cope with problematic situations and have less

blocks when granting service. Following is 8 ("I'm pleased with Orian workers ability to put themselves mentally in another person's situation and understand how that person feels") with coefficient 0.17- meaning the empathy towards the receiver of service. The last two variables of EQ affect less and these are: factor 11 ("I'm pleased with Orian workers' ability to communicate orally in a clear and understandable fashion") with coefficient 0.13 and factor 9 ("I am pleased with Orian workers' ability to learn and understand my needs") with coefficient 0.11.

The factors composing CAC are: "I do feel strong sense of belonging to Orian" with coefficient 0.18 and "I stay with Orian because I am very happy to be their customer" with negative coefficient -0.20. Seemingly there is contradiction between the two but strong connection from the two original variables (0.98) was found with the variable "worked to resolve all problems" and this in fact explains the essence of that latent variable. When a real and pressing problem of the customer is solved it enhances the customer's sensation of belonging and commitment to the service provider and this is contrary to the indefinite wish to become one of the customers which is not necessarily done on emotional basis.

Worker behavior (WrB) includes 24 factors while factors 25 (acted in a personal way), 26 (was very pleasant) and 27 (worked to resolve all problems) are interlinked through covariance. (Between 25 and 26 the covariance is 0.10; between 25 and 27 the covariance is 0.13 and between 26 and 27 the covariance is 0.13). That means that personal action is focused on the solving of problems thus bringing pleasure to the customer. In the following factors of the variable – factor 29 (responded to my needs quickly) has positive coefficient 0.27; factor 25 (acted in a personal way) with positive coefficient 0.25; factor 16 (was helpful to me) with positive coefficient 0.29 and factor 14 (seemed natural and genuine) with coefficient 0.20. As opposed to them, factor 26 (was very pleasant) with negative coefficient -0.20; factor 30 (acted in relaxed manner) with negative coefficient -0.20. That is to say, that the customers do discern between activity that advances the service and activity that does bring pleasure and relaxation but is contrasted to efficient service. The more the service is efficient thus the "Orian" employees gained high grades in the relevant factors; the more it dealt with "entertainment" they gained a low grade.

## 12.4 The dependent latent variables (Xsi)

The variable Perceived Service Value (PSV) is composed of PSVal 17 (The price of Orian services is acceptable) with coefficient 0.23 followed by PSVal 20 (Using Orian services is an efficient way to manage my needs) with coefficient 0.22 and finally PSVal 21 (I value convenience of using Orian services) with coefficient 0.21. The variable is also connected through negative connections with B27 (acted in a personal way); coefficient -1.12 and with PIntent 23 (I consider Orian service to be my first choice) with coefficient -0.31.; meaning the value of the perceived service is done in itself. It expresses the reasonable price level, the efficacy level of the service and the evaluation of the service's comfort and it is contrary to human behavior and purchase intentions which are connected with reasonable price level, efficacy and comfort of the service. That finding requires examination through additional research.

The Word of Mouth (WOM) variable is composed of the following factors: WordM32 (I encourage friends and relatives to do business with Orian) with coefficient 0.18 and WordM30 (I say positive things about Orian to other people) with coefficient 0.12. That variable is parallel to the index of recommendation to friends or family members on the scale of 0-10 as it was developed by Shaw (2007) and called "net promoter score".

Following the recommendations of Modification Index (MI) the variable Purchase Intentions (PI) is composed of the following factors: Pcomtm23 (I consider Orian service to be my first choice) with coefficient 0.53; Pcomtm25 (I stay with Orian because I am very happy to be their customer) with coefficient 0.35; Plinten33 (I intend to purchase services from Orian again in the future) with coefficient 0.20.

The variable Complain Behavior (COM) is composed with following factors: COM ehav41 (I complain to an external agency if I experience a problem with Orian) with coefficient 0.17; COM ehav40 (I complain to other consumers if I experience a problem with Orian) with coefficient 0.13; The MI (Modification Index) recommended adding connection with Wordm30 (I say positive things about Orian to other people) with coefficient 0.16 and also negative connection (coefficient -0.08) with variables Ecomtm24 (I do feel a strong sense of belonging to Orian); Wordm32 (I encourage friends and relatives to do business with Orian) with coefficient -0.07.

The findings lead to the insight that Orian's customers usually say positive things about it but are not enthusiastic about recommending it to their relatives.

### **12.5 The connection between the dependent latent variables and the latent (Xsi) and independent (Eta) ones**

The variable PrIn (Price Insensitivity) does in fact act as independent variable that is strongly and negatively (-1.04) connected with the variable COM (Complain behavior). That means that when the customer has complaint then the price is less important for him. That variable turned into an explaining variable (independent) contrary to the first model in the research. PrIn is connected with the variable PI (purchase intention) with coefficient 0.20. It means when the customer has high probability to buy he is not care so much for the price. Anyway he will buy. The complaints (COM) are also explained through the variable PSV (positive coefficient 1.77). This means that the more the value of the service is increased thus there are more complaints. The hypothesis in the present research was that these would be complaints to internal factors through the wish to improve and through futuristic seeing of the relationship as safe one for the long range. In reality the complaints were made to external factors- a phenomenon contrary to the basic assumption. Through that, it may be understood that the expectations of the customers from the service providers are those that determine the situation. The more these increase they cause greater dissonance and create destruction activity of complaints to external factors. Perhaps, in the case of "Orian" these complaints to external factors stem through the lack of efficient internal mechanism for the handling of complaints which is why these turn into negative "word of mouth".

The purchase intentions (PI) are explained through strong positive coefficient 2.26 with customer affective commitment (CAC). That is to say that the higher the customer's affective commitment thus the purchase intention increases and with positive coefficient 0.53 with the perceived service value (PSV).

WoM is linked with customers' affective commitment (CAC) with coefficient 0.43. That is to say that the higher the affective commitment of the customers thus they are more likely to recommend the organization. It is also linked positively with coefficient 0.65 in the perceived service value (PSV) – meaning, the higher the perceived value of the service thus the wish for positive recommendations increases.

The variable "perceived service value" (PSV) is connected- as expected- through positive connection (0.26) with affective commitment (CAC); with complain behavior (COM), coefficient 1.77, with purchase intentions (PI) coefficient 0.53 and with word of mouth (WoM) coefficient 0.65.