

RELATIONSHIP BETWEEN SERVICE DOMINANT ORIENTATION AND CUSTOMER SATISFACTION: AN EMPIRICAL STUDY OF TWO WHEELER INDUSTRY IN INDIA

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Abstract

The priority for top management today is knowing the perspective of customers. Knowing and being able to understand the concerns of customers has become a typical mission statement of business firms. Service dominant logic has now become the new logic of marketing world as against goods dominant logic. The study was conducted to study the relationship between service dominant orientation and customer satisfaction. The data was collected from 312 respondents and statistical techniques used for analysis were correlation and regression analysis. The results of the study revealed that three dimensions of service dominant orientation, i.e. individuated interaction, concerted interaction and developmental interaction were found to be significantly impacting customer satisfaction. Further, customer satisfaction was found to be significantly correlated with dimensions of service dominant orientation bearing moderately high degrees of correlation.

Keywords: *Service Dominant Orientation, Customer Satisfaction, Two Wheeler Industry, India*



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1. Introduction and Review of Literature

The priority for top management today is knowing the perspective of customers. Knowing and being able to understand the concerns of customers has become a typical mission statement of business firms. The balanced scorecard, a tool for measuring the drivers of business performance demands managers to translate the general mission statement on customer service into specific measures that reflect the concerns of customers (Kaplan & Norton, 1992). Companies have now started integrating their operations with their customers and also been conducting customer satisfaction surveys to ensure that the customers are being served well. The firms are now defining quality from the perspective of customers and developing products to overlap the needs of customers and also focusing on building long term relationships with customers (Danneels, 2003). The customer orientation perspective offers carefully tailored products and an integrated mix of marketing elements for the long term strategic orientation view for a business firm (Webster, 1988). The recent literature on strategic management also focuses on adoption of customer orientation as a business perspective. The customer orientation

perspective concerns matters such as customer service, customer satisfaction and customer focus (Berthon et al, 1999).

(Vargo, 2009) emphasised that in order to implement relationship marketing as a tool to earn customers, there was a need to adopt service dominant logic and move beyond goods dominant logic. Relationship management and its tools were an application of customer orientation of a business firm. According to the author, service dominant logic was a value creating orientation whereas goods dominant logic was an output producing orientation. Moreover, the process of value creation emerged over a period of time and did not confine itself to a production-consumption event.

The service dominant orientation construct has been conceptualised by (Karpen et al, 2015). In their study, the authors focused on the importance of service oriented interaction with customers. The study empirically depicted the importance of underlying principles of the service dominant logic by developing it in the form of a construct called as service dominant orientation. The authors developed the measurement instrument and applied it to an automotive retail setting. The authors also stressed that service dominant orientation was an important driver for not only firm related performance measures but also customer related performance measures like perceived value, satisfaction, commitment and trust. The results of the study also indicated that business firms generally benefitted from co-creation capabilities of customers. Customers acted as network partners in the chain of benefitting from firm resources and ultimately converted them into useful outcomes. Moreover, firms with high levels of service dominant orientation were those that have more effective utilisation of resources and capabilities. The results also elaborated that application of superior co-creation capabilities enabled the customers to benefit significantly from their interaction experiences with the firm. According to (Karpen et al, 2015), there are six dimensions of service dominant orientation and these have been explained as follows:

- *Relational interaction:* Relational interaction refers to the ability of an organisation to be able to develop social and emotional links with customers. This helps in creating an environment of relationship building and value co-creation (Karpen et al, 2015).
- *Ethical interaction:* Ethical interaction refers to an organisation's ability to act in a fair and non-opportunistic way with the customers. This helps in mutual benefit and aids the value co-creation process (Karpen et al, 2015).

- *Individuated interaction*: Individuated interaction ability refers to an organisation's ability to understand the desired outcomes of customers in the service system and act accordingly. This enhances the value co-creation process (Karpen et al, 2015).
- *Empowered interaction*: Empowered interaction ability refers to an organisation's ability to enable customers to shape the nature and content of their exchange with the firm for a better customer experience (Karpen et al, 2015).
- *Concerted interaction*: Concerted interaction ability refers to an organisation's ability to provide coordinated and integrated service processes. This ensures a seamless experience for the customers (Karpen et al, 2015).
- *Developmental interaction*: Developmental interaction ability refers to the ability of an organisation to guide and educate the customers about the processes so that they can take informed decisions and make better use of resources (Karpen et al, 2015)

Customer satisfaction is a measure of how products or services as provided by a company meet customer expectations. Customer satisfaction is one of the most critical factors impacting the success or failure of a company. Therefore, it is essential to keep a track of satisfaction level of customers. In the present times of neck to neck competition, it is very challenging to make customers switch from one brand to another because every business firm in the market today ensures customer satisfaction so that the existing customer base remains intact. In today's turbulent business environment, satisfaction of customers has become the ultimate concern for marketers. Satisfied customers bring numerous benefits with them. Customer satisfaction construct has been conceptualised by (Homburg & Fürst, 2005).

2. Research Methodology

The research design of the study was descriptive. The relationship between service dominant orientation and customer satisfaction was measured using two constructs, i.e. service dominant orientation and customer satisfaction. The service dominant orientation construct has been conceptualised by (Karpen et al, 2015). In their study, the authors focused on the importance of service oriented interaction with customers. The study empirically depicted the importance of underlying principles of the service dominant logic by developing it in the form of a construct called as service dominant orientation. Customer satisfaction construct as conceptualised by (Homburg & Fürst, 2005) was used. Self administered questionnaire was designed to collect data from customers and respondents were selected on the basis of

systematic sampling. Respondents were selected from among customers visiting the dealership centre locations during the chosen time intervals in order to eliminate the sampling frame errors and to ensure the representation of population under study in the sample units. Data was collected from 312 respondents. The statistical techniques used for analysis included correlation analysis and regression analysis. Prior to analysis of the results, the research instrument was tested for its reliability. Internal consistency was estimated using a reliability coefficient called Cronbach’s alpha (Cronbach, 1951). The results of reliability analysis using Cronbach’s alpha are as shown in Table 1. The six dimensions of service dominant orientation have reliable values of Cronbach’s alpha. The three items used to measure customer satisfaction had reliable value of Cronbach’s alpha.

Table 1: Reliability indices for service dominant orientation and customer satisfaction

Construct	Sr. No.	Dimension	Cronbach's Alpha (α)
Service dominant orientation	1	Relational interaction	0.852
	2	Ethical interaction	0.900
	3	Individuated interaction	0.785
	4	Empowered interaction	0.860
	5	Concerted interaction	0.857
	6	Developmental interaction	0.880
Customer satisfaction	1	-	0.955

2.1 Research Objective

The research objective of study was to study the relationship between service dominant orientation and customer satisfaction.

3. Findings and Analysis

To explore the relationship between customer satisfaction and dimensions of service dominant orientation, two statistical techniques were used, i.e. correlation and regression analysis followed by hypotheses testing. Customer satisfaction was the dependent variable and service dominant orientation was the predictor variable for regression analysis.

3.1 Correlation analysis

The relationship between customer satisfaction and dimensions of service dominant orientation was first investigated using Pearson correlation. Table 2 shows the results of correlation analysis. Preliminary analysis revealed that there were no violations of the assumptions of linearity and homoscedasticity, and all associations were found to be significant at 99 per cent

level, with the strongest association being concerted interaction and customer satisfaction ($r=0.568$, $p<0.01$).

Table 2: Correlation of customer satisfaction and dimensions of service dominant orientation

	Relational interaction	Ethical interaction	Individuated interaction	Empowered interaction	Concerted interaction	Developmental interaction
Customer satisfaction	0.423**	0.417**	0.495**	0.499**	0.568**	0.551**

1) Pearson Correlation

2) **Correlation significant at 0.01 level

3.2 Regression analysis

To explore the relationship between customer satisfaction and dimensions of service dominant orientation, linear regression model was applied. To examine the fit of the regression model and to discover the best predictors of customer satisfaction, regression analysis was applied with the dimensions of service dominant orientation as the predictors. In terms of the relationship between the six dimensions of service dominant orientation and customer satisfaction, the adjusted $R^2=0.392$ was found to be statistically significant. As shown in Table 3, three dimensions of service dominant orientation, namely, individuated interaction, concerted interaction and developmental interaction were statistically significant ($p<0.05$). In addition, concerted interaction had the greatest effect on customer satisfaction followed by developmental interaction and individuated interaction.

Table 3: Regression model summary: Customer satisfaction and dimensions of service dominant orientation

Model	R	R ²	Adjusted R ²	Std. error of the estimate
	0.636	0.404	0.392	1.764

1) Independent variable: Dimensions of service dominant orientation

2) Dependent variable: Customer satisfaction

3) R² refers to the coefficient of determination that measures the proportion of the variance in the dependent variable that is explained by the independent variables.

Table 4: Regression analysis: Customer satisfaction and dimensions of service dominant orientation

Variable	Beta	t-value	Significance value
Constant		5.314	0.000
Relational interaction	0.036	0.622	0.534
Ethical interaction	0.056	0.999	0.319
Individuated interaction	0.130	1.994	0.047*
Empowered interaction	0.053	0.780	0.436
Concerted interaction	0.279	4.213	0.000*
Developmental interaction	0.210	3.186	0.002*

- 1) Beta co-efficient is the standardised regression co-efficient which allows comparison of the relatives on the dependent variable of each independent variable.
- 2) t-statistics help to determine the relative importance of each variable in the model.

The values of the variance inflation factor (VIF) and tolerance value (TV) for the linear regression model are presented in Table 5. As indicated in Table 5, the values of VIF, which served as an indicator of multicollinearity, ranged from 1.600 to 2.347. These values were far below the cut-off value of 10. In addition, it could be seen that the tolerance values for each independent variable are closer to one which indicates there is no evidence of multicollinearity. In other-words, there is no significant evidence of multicollinearity problem in the regression model as presented.

Table 5: Multicollinearity statistics: Dimensions of service dominant orientation

Dimension	Tolerance value (TV)	Variance inflation factor (VIF)
Relational interaction	0.586	1.707
Ethical interaction	0.625	1.600
Individuated interaction	0.46	2.176
Empowered interaction	0.426	2.347
Concerted interaction	0.445	2.249
Developmental interaction	0.448	2.234

Dependent variable: Customer satisfaction

The mathematical representation for above regression model of relationship between customer satisfaction and dimensions of service dominant orientation as predictors is as follows:

$$\text{Customer satisfaction} = 3.352 + 0.13 (\text{Individuated Interaction}) + 0.27 (\text{Concerted Interaction}) + 0.21 (\text{Developmental Interaction})$$

3.3 Hypotheses testing

The measurement of relationship between customer satisfaction and dimensions of service dominant orientation included the testing of following hypotheses.

H1: There is significant relationship between customer satisfaction and service dominant orientation

H1a: There is significant relationship between customer satisfaction and relational interaction dimension of service dominant orientation

H1b: There is significant relationship between customer satisfaction and ethical interaction dimension of service dominant orientation

H1c: There is significant relationship between customer satisfaction and individuated interaction dimension of service dominant orientation

H1d: There is significant relationship between customer satisfaction and empowered interaction dimension of service dominant orientation

H1e: There is significant relationship between customer satisfaction and concerted interaction dimension of service dominant orientation

H1f: There is significant relationship between customer satisfaction and developmental interaction dimension of service dominant orientation

Table 4 shows the results of hypotheses testing. The results indicate that the hypotheses H1c, H1e, H1f are supported. It shows that customer satisfaction had significant relationship with three individual dimensions of service dominant orientation, i.e. individuated interaction dimension, concerted interaction dimension and developmental interaction dimension. It was also revealed that concerted interaction dimensions was the best predictor of customer satisfaction followed by developmental interaction dimension and individuated interaction dimension.

4. Conclusion and Managerial Implications

Customers are the ultimate recipients of value. So, it is very important to ensure satisfaction of customers. Considering customer satisfaction as the ultimate goal of business firms, the present business environment demands business firms to act strategically and evolve with changing times. The results of relationship between customer satisfaction and dimensions of service dominant orientation showed that three dimensions of service dominant orientation, i.e. individuated interaction, concerted interaction and developmental interaction were found to be significantly impacting customer satisfaction. The results of correlation analysis showed that customer satisfaction was significantly correlated with dimensions of service dominant orientation.

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orientation bearing moderately high degrees of correlation. The results of hypotheses testing revealed that customer satisfaction had significant relationship with three dimensions of service dominant orientation, namely, individuated interaction, concerted interaction and developmental interaction.

5. Limitations and Directions for Future Research

Research has its limitations and this study is no exception. Although an attempt was made to be as scientific as possible while designing the study, but the present study has got some limitations. The limitation concerns the nature of the measures used. The measures included in this research were all based upon the perceptions of the participating respondents. Therefore, the potential for data inaccuracies due to item misinterpretation or predisposition to certain responses on the part of the participant does exist.

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