
Employee Customer Equity Orientation: An Empirical Analysis of its Determinants and Consequences



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Zielsetzung der vorliegenden Studie bildet die Identifikation unternehmensbasierter Einflussfaktoren, die die mitarbeiterseitige Kundenwertorientierung determinieren. Zur Identifikation dieser Treiber wurde die bestehende Literatur umfassend analysiert und Tiefeninterviews mit Relationship-Marketing Managern durchgeführt. Zur Validierung dieser Ergebnisse wurde eine umfassende quantitative Studie vorgenommen, im Rahmen derer auch eine Entwicklung des Konstruktes mitarbeiterseitige Kundenwertorientierung erfolgte. Die Ergebnisse zeigen, dass die identifizierten organisationalen Einflussfaktoren wesentlich die mitarbeiterseitige Kundenwertorientierung determinieren und somit deren Implementierungserfolg entscheidend prägen. Infolgedessen liefert die vorliegende Arbeit, im Gegensatz zu bisherigen Kundenwertanalysen, eine umfassende empirische Betrachtung organisationaler Einflussfaktoren auf die mitarbeiterseitige Kundenwertorientierung. Basierend auf den Ergebnissen werden Implikationen für eine erfolgreiche Gestaltung der mitarbeiterseitigen Kundenwertorientierung abgeleitet.

This paper aims to explore the promoting factors for successfully implementing the strategy of customer equity orientation. In order to gain information on important organizational determinants, a broad literature review was performed and in-depth interviews with managers were conducted. To validate and verify these results, a large quantitative study has been carried out. Thereby, a scale that measures employee customer equity orientation was developed. The results in the structural equation model show that the identified organizational influence factors essentially determine employees' customer equity orientation and the successful implementation of this strategy. Hence, in contrast to previous research, this study empiri-



cally provides an extensive analysis of organizational factors that foster employee's customer equity orientation. Based on these results, guidelines for successfully implementing employee customer equity orientation are provided.

1. Introduction

In the current competitive marketing environment, customer equity as a measure of the expected future behaviour of a company's customers is a key strategic asset which has become an important factor in research and practice (Kim et al. 2012; Peters et al. 2015). The basic idea of customer equity orientation is a differentiated approach to customers with regard to their profitability for the company (Bruhn et al. 2008; Luo et al. 2015). Thus, most profitable customers receive an optimum of a company's support, such as higher level of individualized products and services, while less profitable customers receive minor attention (Bechwati/Eshghi 2005). Hence, customer equity refers to the total of the discounted life time values of all the firm's customers (Rust et al. 2010), and considers time in determining current value (Blattberg/Deighton 1996).

Research with regard to customer equity mainly focuses on developing models in order to determine a customer's equity for the firm (Kumar/George 2007; Luo et al. 2015). Hence, current research provides many different models for calculating a customer's equity (Holm et al. 2012). However, practice shows that many organizations have serious problems in implementing customer equity orientation (Kumar et al. 2006; Shah et al. 2006). Concentrating on a company's effort to calculate customer equity, Homburg et al. (2008) show that 83 % of the organizations regarded wish to prioritise profitable customers. However, only 38 % succeeded in implementing customer equity orientation. In this respect, implementation of customer equity orientation in organizations is a relevant subject to research. Thus, the research gap addressed by our empirical study is the failing efforts in implementing customer equity orientation in practice. In this context, current research identified three major barriers that hamper a successful implementation of customer equity orientation. Simultaneously, these barriers can be named as crucial research gaps.

Insufficient support of customer equity orientation by employees is named as the first important barrier of implementation (Blattberg et al. 2001; Payne/Frow 2005). If employees are unwilling or unable to put a company's guidelines with regard to customer equity into practice, a comprehensive implementation of customer equity orientation is impossible. Although employees play an essential role in the operational realization of customer equity orientation (Yim et al. 2004; Zablah et al. 2004), there is still a lack of empirical research on employee customer equity orientation (Boulding et al. 2005; Shum et al. 2008). This leads to our first research question:

1) *Which factors constitute customer equity orientation of employees?*

The organizational adaption of customer equity orientation is named as a second major barrier in research (Blattberg et al. 2001; Peters et al. 2015). If an organisational adjustment to customer equity orientation is made, employees receive optimum support in realizing customer equity orientation. Otherwise, if there is no organizational adaption of customer equity orientation, it is difficult for employees to act customer equity oriented in their day-to-day business. Thus, although organizational adjustment to customer equity orientation is a crucial requirement for its implementation, in current research this issue is

addressed only by a few empirical studies (e. g., *Bruhns et al.* 2008; *Peters et al.* 2015). Hence, our second research question is:

2) *How do important organizational determinants foster employee customer equity orientation?*

The uncertainty about achieving the desired success through implementing customer equity orientation is considered as the third implementation barrier. If a company is not convinced that customer equity orientation will be profitable in the long term, it will not undertake any implementation efforts. Although several empirical studies show positive effects of customer equity orientation (*Kumar et al.* 2008; *Venkatesan/Kumar* 2004), analyses which formulate negative effects also exist (*Johnson/Selnes* 2004; *Krasnikov et al.* 2009). Despite the existence of studies about effects on profit through customer equity orientation, further research is needed in order to clarify whether customer equity orientation is ultimately worthwhile for a company (*Kumar* 2008). Therefore, our third research question arises:

3) *Which central effects on the implementation success of a customer equity strategy arise from employee customer equity orientation?*

By answering the three research questions, we aim to make three key contributions to marketing and management research. First, this investigation focuses on customer equity orientation on an individual employee level. Here, we focus on employees' customer equity oriented attitude and behaviour as two closely related constructs which constitute customer equity orientation. Hence, in contrast to previous research, we empirically analyse factors constituting employee customer equity orientation on an individual level. Second, while previous studies have focused on determinants of customer equity orientation at a global level, our research efforts provide an extensive analysis of organizational determinants that foster an employee's customer equity orientation on an individual level. It is shown that corporate structure-based, corporate system-based and corporate leadership-based influence factors are indispensable for a successful implementation of customer equity orientation. Third, we advance research by conceptualising the implementation success of customer equity orientation as an important outcome which is caused by an employee's customer equity oriented behaviour. Based on these results guidelines for successfully implementing employee customer equity orientation can be provided. Thus, we offer a management approach to practitioners, supporting them to manage their employees' customer equity orientation more efficiently.

Our study is divided into three main sections. The first section presents the research background of customer equity orientation by examining the concept in relationship marketing and management literature. In the second section, we present the development of our conceptual framework and hypotheses. Subsequently, we look at the methods employed and the results of our empirical studies. The final section derives a set of implications for practice and future research.

2. Theoretical background

For the present study, two research areas are relevant: Studies in the research area of customer equity and contributions to the research area customer relationship management

(CRM). Thereby, we especially aim at analysing research which focuses on an extensive strategic understanding of CRM and includes an assessment of customer equity.

In the context of implementing customer equity orientation on an individual employee level, especially customer-faced employees play an essential role, since they actively shape the interface between a company and its customers (Yim *et al.* 2004). In this regard, current studies are almost exclusively conceptual. Thereby, the significance of customer equity oriented behaviour as the visible manifestation of customer equity orientation on an individual level (Shah *et al.* 2006) and employees' customer equity oriented attitude as the central prerequisite for the desired customer equity oriented behaviour (Bell *et al.* 2002; Shum *et al.* 2008; Zablah *et al.* 2004) are highlighted. Following these considerations, we define employee customer equity orientation as follows:

“Employee customer equity orientation comprises the attitude and behaviour of customer-faced employees in order to achieve a differentiated approach to customers with regard to their profitability. It is expressed in the intensity of customer care and the processing time per customer.”

The combination of the constructs employee attitude and employee behaviour constituting customer equity orientation is based on the idea that in the long-term, employees change their behaviour especially when they develop a positive attitude towards customer equity orientation (Stock/Hoyer 2005). In the short-term, however, Hochschild (1983) supposes that employees are able to adopt guidelines (with regard to customer equity), although they have no positive attitude towards this topic. According to cognitive dissonance theory, employees find themselves in an unpleasant state of cognitive dissonance. Since individuals search for a cognitive balance, they try to escape from this unpleasant state by changing their attitude or behaviour (Festinger 1957). Thus, employees either match their behaviour with their negative attitude towards customer equity orientation, which leads to a non-implementation of this strategy in their day-to-day business, or they align their attitude with customer oriented behaviour (Zablah *et al.* 2004). Hence, an implementation of customer equity orientation in the long-term is only possible if the employees' customer equity oriented attitude and behaviour are consistent with each other.

Moreover, Reinartz *et al.* (2004) show that a pure technical realisation of systems and processes is insufficient for a successful implementation of CRM. The CRM-implementation success rather depends on the CRM-compatible attitude and behaviour of employees (Reinartz *et al.* 2004). Following these considerations, the central impediment to implement CRM is the insufficient integration of employees, which usually entails a negative attitude towards change (Bohling *et al.* 2006). Shum *et al.* (2008) hypothesize in this context that there is a positive correlation between employee commitment towards a CRM initiative and the latter's positive effects. However, up to now no empirical evidence exists. This research void makes careful study and analysis of the two key variables of customer equity orientation on an individual employee level all the more important. Therefore, this study aims to theoretically and empirically explore the promoting factors for successfully implementing the strategy of customer equity orientation on an individual employee level.

3. Conceptual framework and hypotheses development

3.1 Employee customer equity oriented attitude and behaviour

In this section we present the conceptual framework of employee customer equity orientation with its determinants and consequences which are developed from current research (see *Figure 1*).

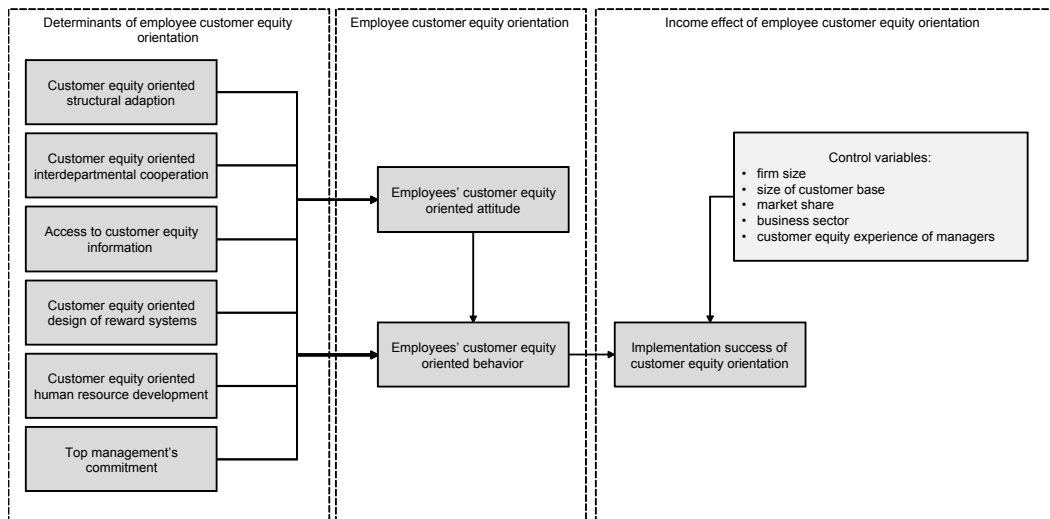


Figure 1: Conceptual framework of employee customer equity orientation

Customer equity orientation of employees, which is centred in our conceptual framework, is represented by their attitude and behaviour with regard to customer equity orientation. Customer equity oriented attitude of employees is defined as the latter's inner conviction that addressing customers individually will positively affect the company's profitability. Moreover, we understand customer equity oriented behaviour as the employee's ability to handle customers differently according to their profitability for the firm. In our study, we postulate that not only the two constructs constitute employee customer equity orientation, but there is also a connection between their attitude and behaviour. This assumption is based on the attitude-behaviour-model by *Ajzen and Fishbein (1970; 1980)*. According to the latter, the behaviour of a person depends on his/her attitude towards that behaviour (*Ajzen/Fishbein 1980*). In addition to these theoretical presumptions, various authors emphasize the significance of employees' attitude for a successful implementation of customer equity orientation in their behaviour (*Bove/Auh 2008; Zablah et al. 2004*). Against this background, we propose the following hypotheses:

- H1a: Employees' customer equity oriented attitude and behaviour constitute employees' customer equity orientation.
- H1b: Employees' customer equity oriented attitude promotes their customer equity oriented behaviour.

3.2 Determinants of customer equity orientation on employee level

This study also aims at analysing determinants that foster the implementation of employee customer equity orientation. We presume that these determinants empower and motivate employees to act customer equity oriented. Hence, in our research framework we also discuss organizational requirements, which firms have to fulfil in order to support the implementation of customer equity orientation. Thereby, we identified organizational factors to improve the implementation of customer equity orientation in the current relationship marketing literature. Thereby, research can be divided into three categories: corporate structure-based, corporate system-based and corporate leadership-based influence factors. (Bell *et al.* 2002; Berger *et al.* 2002; Blattberg *et al.* 2001; Hogan *et al.* 2002; Kumar *et al.* 2006; Shah *et al.* 2006).

With regard to corporate structure-based determinants, customer equity oriented corporate structure (Hogan *et al.* 2002) and customer equity oriented interdepartmental cooperation (Kumar *et al.* 2006) are often mentioned in the current literature. While there is a lack of empirical research to show the necessity of customer equity oriented interdepartmental cooperation, little empirical research focuses on the importance of adapting corporate structures (Becker *et al.* 2009). Customer equity oriented structural adaption is thereby defined as the extent to which the organizational structure is aligned to customer groups with different profitability (Hogan *et al.* 2002). A variety of authors emphasizes the significance which an adaption of the organizational structure has for the implementation of customer equity orientation (Bell *et al.* 2002; Berger *et al.* 2002). They state that structural adaption influences employee customer equity orientation, since it facilitates addressing employees according to their needs and helps acting in a customer equity oriented way (Jayachandran *et al.* 2005). Thus, we hypothesize the following:

H2a: Customer equity oriented structural adaption promotes employees' customer equity oriented attitude.

H2b: Customer equity oriented structural adaption promotes employees' customer equity oriented behaviour.

Customer equity oriented interdepartmental cooperation, as the second determinant of employees' customer equity orientation, is understood as the extent to which different business units closely collaborate in order to act in a customer equity oriented way (Payne/Frow 2005; Shah *et al.* 2006). In this context, particularly a close link between front- and back-office should be established (Berger *et al.* 2002). Based on this close collaboration, account managers are more likely to receive information regarding special conditions or customized products by the responsible back-office business units making customized processing easier. Additionally, the significance of interdepartmental cooperation for the employees' customer equity orientation is highlighted by Shum *et al.* (2008). The authors empirically identified cross-functional interdepartmental cooperation as a crucial determinant of employees' commitment to the relationship marketing strategy (Shum *et al.* 2008). Based on these considerations, we suggest the following hypotheses:

H3a: Customer equity oriented interdepartmental cooperation promotes employees' customer equity oriented attitude.

H3b: Customer equity oriented interdepartmental cooperation promotes employees' customer equity oriented behaviour.

Research with regard to corporate system-based influence factors focuses on the customer equity orientation of information systems (Jayachandran et al. 2005), reward systems (Reinartz et al. 2004) and human resources systems (Bell et al. 2002). In this context, empirical studies show the importance of customer equity oriented information processes for a firm's performance (Becker et al. 2009; Droll/Totzek 2008; Jayachandran et al. 2005). It becomes clear that the access to customer equity information essentially determines customer equity orientation (Yim et al. 2004). Hence, employees' access to crucial customer equity information is indispensable for implementing customer equity orientation successfully. Here, an easy access to necessary customer information helps employees to individually target customers' needs (Payne/Frow 2005; Shum et al. 2008). Based on these suggestions, we propose the following hypotheses:

H4a: Access to customer equity information promotes employees' customer equity oriented attitude.

H4b: Access to customer equity information promotes employees' customer equity oriented behaviour

As a further influence factor of customer equity orientation, customer equity oriented design of reward systems is defined as the extent to which the achievement of customer equity targets is supported through monetary and non-monetary incentives. Several studies show that the adjustment of corporate and customer objectives is one of the most significant factors regarding CRM implementation (Bohling et al. 2006). Hence, current research stresses both the impact of customer equity oriented design of reward systems on the employees' customer equity oriented behaviour (Jayachandran et al. 2005) and its positive effects on the latter's attitude (Payne/Frow 2006). Consequently, if no connection between the corporate customer equity objectives and the employees' personal goals is established, the latter will consider customer equity orientation as another useless program within the firm (Gordon 2002). Thus, we propose the following hypotheses:

H5a: Customer equity oriented design of reward systems promotes employees' customer equity oriented attitude.

H5b: Customer equity oriented design of reward systems promotes employees' customer equity oriented behaviour.

We conceptualise customer equity oriented human resource development as a last corporate structure-based determinant. Thereby, it is defined as the extent to which employees are conveyed to the necessary knowledge and customer equity oriented skills. A series of studies stresses the effect of a customer equity oriented human resource development on employee customer equity orientation (Bell et al. 2002; Vogel et al. 2008). In this context, the transfer of relevant skills which helps employees to act in line with customer equity guidelines is especially mentioned (Blattberg et al. 2001). Hence, employee training regarding economic interrelationships is often considered as an important influence factor of employee commitment (Chen/Popovic 2003). In sum, based on the suggestions in current research, we propose the following hypotheses:

H6a: Customer equity oriented human resource development promotes employees' customer equity oriented attitude.

H6b: Customer equity oriented human resource development promotes employees' customer equity oriented behaviour.

Finally, conceptual and empirical research on corporate leadership-based influence factors of customer equity orientation emphasises the importance of a top management's commitment for a successful customer equity implementation (Bohling et al. 2006; Homburg et al. 2008). Top management's commitment is understood as the extent to which the top management is convinced about the significance of customer equity orientation (Bruhn et al. 2008). Relevant literature attaches particular importance to top management's commitment with regard to its impact on customer equity orientation (Bohling et al. 2006; Shah et al. 2006). These effects are empirically validated by Homburg et al. (2008). The authors verified the existence of a moderating effect of top management's involvement on the interrelationship between intended and actual implementation of a customer prioritisation strategy. Moreover, Kristoffersen and Singh (2004) argue that a top management's enthusiasm in view of customer equity orientation is conveyed to employees. As a consequence, reservations are reduced and a positive attitude of employees towards customer equity orientation is created (Kristoffersen/Singh 2004). These considerations result in the following hypotheses:

- H7a: Top management's commitment has a positive effect on the employees' customer equity oriented attitude.
- H7b: Top management's commitment has a positive effect on the employees' customer equity oriented behaviour.

3.3 Consequences of customer equity orientation on employee level

As a major consequence of customer equity orientation, a performance variable needs to be taken into consideration. In the current literature it is proposed that customer equity orientation leads to customer profitability, higher return on sales as well as raising stock prices (Homburg et al. 2008; Kumar/Shah 2009; Schulze et al. 2012). Against this background, we define implementation success as a resulting performance variable. Implementation success thereby describes the extent to which a company considers the implementation of customer equity orientation as successful. According to Kotler (1984), a strategy is proposed to be implemented as soon as objectives are translated into concrete and actually carried out instructions. Thus, a strategy's visible implementation success is demonstrated by the persons involved taking actions in line with the proposed strategies (Noble/Mokwa 1999). In accordance with this viewpoint, Bruhn et al. (2008) consider a customer equity orientation as implemented, when all customer-facing employees act according to the proposed customer-equity guidelines. Consequently, we propose the following hypothesis:

- H8: The employees' customer equity oriented behaviour has a positive impact on the implementation success of customer equity orientation.

Additionally, other factors may also influence customer equity orientation's impact on the implementation success. Thus, we included five control variables (firm size, size of customer base, market share, business sector and customer equity experience) in our empirical analyses, in order to test the robustness of our proposed relationships while controlling for important extraneous influences. However, no specific hypotheses are formulated since these assumptions are not central to our research.

4. Method

4.1 Data Collection and Sample Composition

In order to test our hypotheses on a broad empirical basis, we invited German companies from different industries to participate in our study. A central requirement was that participants consider the topic customer equity as highly relevant. The following industries were selected: finance and insurance, telecommunication, automotive, chemicals and pharmaceuticals. We obtained usable responses from 260 managers (a response rate of 12 %). Since customer equity orientation is a very sensitive topic for companies, the response rate is considered to be satisfactory. When selecting the participants of our study, we paid particular attention that the test persons have a great experience of customer equity orientation and knowledge of its implementation success. Since these characteristics might exclusively apply to managers, we decided to survey marketing managers, sales managers, customer relationship managers and key account managers. These managers were then invited to assess the customer equity orientation of their business units and employees. For a similar procedure see also *Homburg et al. (2004)* and *Kraimer et al. (2005)*. We believe we were successful in reaching persons in adequate positions in the organisations to comment on customer equity orientation and its implementation success. Specifically, 80 % of our sample indicated to be mainly responsible for customer equity orientation within the firm. Additionally, 75 % of our respondents had at least 3 years of experience with regard to customer equity orientation.

Since only one participant per company was surveyed, we have to consider the potential risk of distortion in our data. Therefore, we tested for common method bias, non-response bias, and key informant bias (*Atuahene-Gima 2005; Reinartz et al. 2004*). We first assessed the degree to which common method bias may influence the results with the help of Harman's One Factor-Test (*Podsakoff et al. 2003*). The results of the explorative factor analysis show nine factors with an eigenvalue larger than 1, which explain 76 % of the total variance. The highest variance explained by one factor is 40 % and therefore rests under the marginal value of 50 %. Further, a one-factor-model ($\chi^2/df = 6.17$, CFI = .58, TLI = .55, RMSEA = .14) shows a much worse model fit than the analysed model ($\Delta\chi^2 = 2125.01$; $\Delta df = 112$; $p < .01$). In a next step, we estimated a model that includes loading indicators on the hypothesised constructs as well as on a latent method factor (*Podsakoff et al. 2003*). This trait-method model also yielded a poorer fit ($\chi^2/df = 2.20$, CFI = .91, TLI = .89, RMSEA = .07) than the analysed model ($\Delta\chi^2 = 21.94$; $\Delta df = 165$; $p < .01$). Hence, the results indicate that common method bias does not jeopardise the interpretation of our study.

To test for non-response bias, the responses of those who respond to the first mailing of a questionnaire to those who respond to subsequent mailings are compared (*Armstrong/Overton 1977*). The group who returns subsequent mailings is a sample of non-respondents (to the first mailing), and we assume that they are representative of that group. Our sample consists of 152 respondents from the first mailing and 108 from the second mailing. Out of 35 variables tested, we found no variable with statistically significant differences ($p < .05$) between the mean responses of these two groups of respondents. Hence, we conclude that non-response bias is not a concern for this sample. Additionally, we identified 26 firms that had not taken part in our survey.

In order to test for Key-Informant Bias, we validated the information provided by managers based on an employee survey. This validation study especially aims at investigating if there is a sufficiently high consistency between the external assessment of customer equity oriented attitude of employees through managers with the respective self-assessment by the employees. Managers were thus asked to name employees who implement customer equity orientation in their day-to-day operations. By using the snowball sampling method (Goodman 1961), which has been proven successfully for multi-informant designs, 20 managers-employee dyads were generated. Thereby, the sub-sample does not show any significant differences from the main sample ($\chi^2/df = 2.47$; $p > .10$). Therefore, it is considered to be an appropriate basis for generating significant outcomes. The results show a correlation of self-assessment and external assessment of .65 ($p < .01$) in the attitude construct, which can be considered as high. Hence, it can be concluded that the external assessment of employees' customer equity oriented attitude through the managers is reliable (Cohen 1988).

4.2 Construct measurement of employee customer equity orientation

In this section, we refer to the development of a scale that measures employee customer equity orientation along the lines of the scale development procedure proposed by Churchill (1979) as well as Gerbing and Anderson (1988). The aim of our scale development was to produce short-form scales that could reliably and validly measure employees' customer equity oriented attitude and behaviour as constituting constructs of employee customer equity orientation. With this in mind, we integrated the results of a qualitative study with seven customer equity managers and prior research (Homburg/Stock 2005; Stock/Hoyer 2005) to develop an initial list of items that represent the two constructs of employee customer equity orientation. By examining the average corrected item-to-total correlation and the results of an explorative factor analysis, the items were adjusted in an initial study with German customer equity managers ($n = 31$). This analysis resulted in 7 items, all of which can be assigned to two constructs constituting employee customer equity orientation (4 items measuring customer equity oriented attitude; 3 items measuring customer equity oriented behaviour). In order to validate the properties of our scale generated from the adjustment process, our large empirical study with $n = 260$ managers was employed. In this context, for analysing the reliability and validity of our scale, 130 records were randomly selected (Sample 1), in order to test the scale in a second sample ($n = 130$; Sample 2) for downstream validity. We applied a reflective measurement approach to the construct employee customer equity orientation by using a five point Likert-type scale anchored by 1 = 'strongly agree' and 5 = 'strongly disagree'.

Results of the confirmatory factor analysis provided an adequate fit for both samples (Sample 1: $\chi^2/df = 2.09$; CFI = .97; TLI = .95; RMSEA = .09; Sample 2: $\chi^2/df = 2.20$; CFI = .96; TLI = .94; RMSEA = .09). A complete list of all items, as well as AVEs, reliability estimates and correlations for the four complexity dimensions are provided in Table 1. Overall, the steps taken above suggest that the construct employee customer equity orientation meets the standards for construct development. Hence, we can conclude that the two constructs employees' customer equity oriented attitude and behaviour constitute the employee-customer-equity-orientation construct.

	Sample 1					Sample 2				
	Mean	SD	λ	CR	AVE	Mean	SD	λ	CR	AVE
<i>Employee customer equity oriented attitude</i>										
Our service encounter employees...										
...are customer equity oriented.	2.43	.95	.83	.87	.64	2.43	.90	.84	.86	.61
...consider customer equity orientation as one of their personal goals.	2.81	1.04	.90			2.85	1.10	.93		
...are convinced that customer equity orientation leads to the company's financial success.	2.25	.92	.69			2.25	1.01	.67		
...are convinced that customer equity orientation contributes to their personal development.	2.90	1.07	.76			2.97	1.06	.66		
<i>Employee customer equity oriented behaviour</i>										
Our service encounter employees...										
...base their intensity of customer care on the customers' equity.	2.37	1.03	.83	.81	.59	2.45	1.09	.69	.75	.51
...treat customers differentiated with regard to their equity.	2.55	1.13	.71			2.62	1.14	.63		
...treat customers depending on their equity.	2.62	1.10	.76			2,65	1.11	.80		
Correlations			1					2		
1. Employee customer equity oriented attitude									.64	
2. Employee customer equity oriented behaviour			.56							

(Sample 1 below the diagonal and Sample 2 above)

Table 1: Results of measurement model assessment and scale statistics

4.3 Construct measurement of developed framework

Scales for the study predominantly consisted of items that had been used previously. The individual items are listed in the Appendix (see Table A1). The questionnaire was designed in German and was modified after comments were provided by several academics and marketing managers. All items were measured using a five point Likert-type scale anchored by 1 = ‘strongly agree’ and 5 = ‘strongly disagree’.

To measure customer equity oriented structural adaption and customer equity oriented human resource development we employed the items by Becker et al. (2009). Consistent with Luo et al.'s (2006) definition of interdepartmental cooperation, our measure of customer equity oriented interdepartmental cooperation consists of four items. The items used to measure access to customer equity information and implementation success of customer equity orientation were adopted from Jayachandran et al. (2005). To measure cus-

tomer equity oriented design of reward systems we used the measurement scale of *Ernst et al.* (2011). To measure top management’s commitment we adapted a scale following the styles of *Becker et al.* (2009) as well as *Noble and Mokwa* (1999). Finally, the items to measure implementation success of customer equity orientation were adopted from *Jayachandran et al.* (2005).

We assessed reliability and validity for each construct using confirmatory factor analysis. Overall, our scales exhibit good psychometric properties: for all constructs, the values for composite reliability, average variance extracted and Cronbach's Alpha surpass the recommended thresholds (see *Table 2*; *Bagozzi/Yi* 2012). In addition, the criterion proposed by *Fornell and Larcker* (1981) indicates no problems with respect to discriminant validity. With regard to the measurement model, the global fit of the confirmatory factor analysis containing all constructs of the model is satisfactory ($\chi^2/df = 1.68$, CFI =.95, TLI =.94, RMSEA =.05).

Variable	CR	AVE	CA	Correlation								
				1	2	3	4	5	6	7	8	9
1 Employees’ customer equity oriented attitude	.87	.63	.86	1	.16	.16	.19	.07	.17	.24	.26	.24
2 Employees’ customer equity oriented behaviour	.78	.54	.78	.40	1	.13	.11	.05	.15	.14	.13	.14
3 Customer equity oriented structural adaption	.81	.52	.81	.40	.36	1	.18	.07	.15	.21	.19	.22
4 Customer equity oriented interdepartmental cooperation	.90	.69	.90	.44	.33	.42	1	.18	.13	.29	.34	.30
5 Access to customer equity information	.91	.73	.91	.26	.23	.26	.43	1	.04	.20	.13	.22
6 Customer equity oriented design of reward systems	.91	.63	.83	.41	.39	.39	.36	.20	1	.19	.19	.13
7 Customer equity oriented HR development	.93	.77	.93	.49	.37	.46	.54	.45	.44	1	.35	.32
8 Top management’s commitment	.91	.72	.91	.51	.36	.44	.58	.36	.44	.59	1	.35
9 Implementation success of customer equity orientation	.92	.74	.92	.49	.38	.47	.55	.47	.36	.57	.59	1
CR = Critical Ratio; AVE = Average Variance Extracted; CA = Cronbachs Alpha				Standard correlations below the diagonal and quadratic correlations above								

Table 2: Correlations, Reliabilities, and Scale Information

5. Results

5.1 Model estimation

To model the structural relationships put forward in our framework, we employed structural equation modelling using AMOS 22. Global fit measures indicate that the model acceptably represents the underlying data ($\chi^2/df = 1.75$, CFI =.93, TLI =.91, RMSEA =.05). The results for our proposed effects are presented in *Figure 2*.

First, the presumed positive relationship between employees' customer equity oriented attitude and their customer equity oriented behaviour is confirmed ($H_1: \delta_{21} = .39; p < .01$). With regard to the determinants of employees' customer equity orientation, our results reveal a positive effect of customer equity oriented structural adaption on employees' customer equity oriented attitude ($H_{2a}: \gamma_{11} = .17; p < .05$) and on their behaviour ($H_{2b}: \gamma_{21} = .21; p < .05$). While customer equity oriented interdepartmental cooperation has a positive impact on employees' customer equity oriented attitude ($H_{3a}: \gamma_{12} = .14; p < .05$), its impact on employees' behaviour cannot be confirmed (H_{3b} : not verified). However, in contrast, access to customer equity information has no influence on employees' attitude (H_{4a} : not verified) but on their behaviour ($H_{4b}: \gamma_{23} = .14; p < .05$). As presumed, customer equity oriented design of reward systems represents a positive determinant of both customer equity oriented attitude ($H_{5a}: \gamma_{14} = .22; p < .01$) and customer equity oriented behaviour ($H_{5b}: \gamma_{24} = .20; p < .01$). Furthermore, our results show a positive effect of customer equity oriented human resource development on employees' customer equity oriented attitude ($H_{6a}: \gamma_{15} = .17; p < .05$). However, an impact on employees' customer equity oriented behaviour cannot be verified (H_{6b} : not verified). Additionally, top management's commitment has a positive impact on employees' customer equity oriented attitude ($H_{7a}: \gamma_{16} = .26; p < .01$). Evidence for its impact on employees' customer equity oriented behaviour cannot be provided (H_{7b} : not verified). Finally, as we expected, employees' customer equity oriented behaviour has a strong impact on the implementation success of customer equity orientation ($H_9: \delta_{32} = .73; p < .01$).

With regard to the control variables we found the size of a firm's customer base to be negatively related to the implementation success of customer equity orientation ($\gamma = -.22; p < .01$). All other effects of the examined control variables were not significant. This indicates that with an increasing customer base it becomes more and more difficult for firms to implement customer equity orientation successfully. Hence, we conclude that the relationships regarded might vary with regard to the size of a firm's customer base. Therefore, we decided to analyse differences with regard to the promoting factors and implementa-

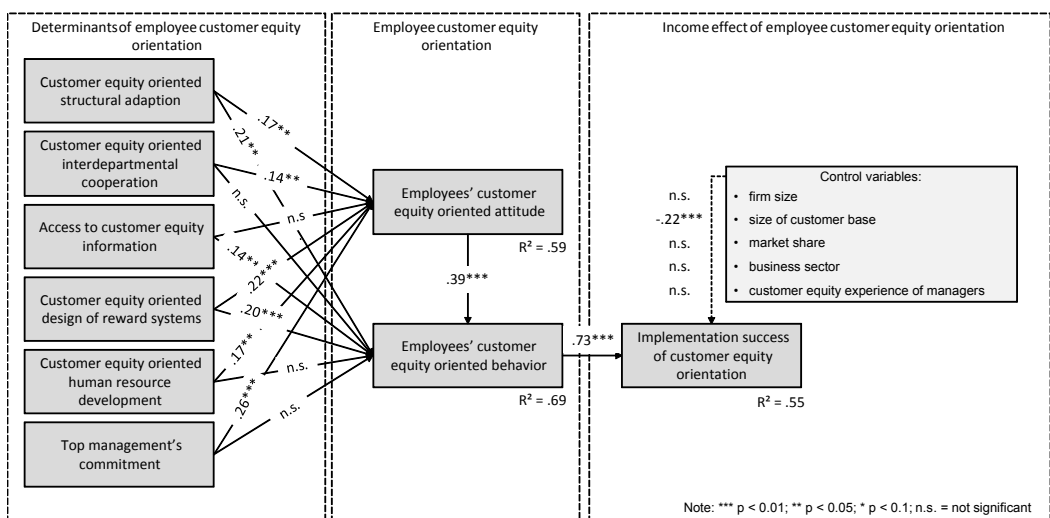


Figure 2: Results of Model Estimation

tion success of customer equity orientation in the context of low and high customer base sizes in a next step by means of multi group casual analysis.

5.2 Moderating effects

In order to detect differences with regard to the promoting factors and implementation success of customer equity orientation in the context of high and low customer base sizes, we divided our sample in two subsamples: sample 1: firms with a low customer base with less than 10,000 customers and sample 2: firms with a high customer base with more than 10,000 customers.

In a first step, we performed a one-way variance analysis. The results revealed that significant differences between customer equity oriented structural adaption, access to customer equity information, customer equity oriented human resource development, employees' customer equity oriented attitude and behaviour as well as implementation success of customer equity orientation exist in the context of a low and high customer base (see *Table 3*).

Variable	df	F	Sig.
1 Employees' customer equity oriented attitude	16	2.00	.09
2 Employees' customer equity oriented behaviour	11	2.39	.05
3 Customer equity oriented structural adaption	16	2.36	.05
4 Customer equity oriented interdepartmental cooperation	16	1.90	.11
5 Access to customer equity information	16	2.06	.08
6 Customer equity oriented design of reward systems	16	3.58	.01
7 Customer equity oriented HR development	12	1.74	.15
8 Top management's commitment	16	1.86	.11
9 Implementation success of customer equity orientation	16	2.54	.03
R-squared = .95 (adjusted R-squared = .46)			

Table 3: One-way variance analysis

Before starting to analyse the differences between the determinants and consequences of employee customer equity orientation, we tested the model for measurement equivalence across the two groups following the style of *Baumgartner* and *Steenkamp* (1998) in a second step. As part of this process, we sequentially tested for configural invariance, metric invariance and factor variance invariance. Configural invariance was confirmed first by conducting a multi-group casual analysis. The model fit the data well in each sample ($\chi^2/df = 1.52$, CFI = .91, TLI = .90, RMSEA = .06), all factor loadings were significant and tests revealed that the factors were not perfectly correlated, providing support for configural equivalence. Next, we assessed metric invariance for our model by comparing the fit of one model for which the factor loadings were constrained to be equal to the fit of the freely estimated model. The results of this analysis supported metric invariance across the two samples, suggesting that the factor loadings are constant across samples (see *Table 4*).

Finally, we tested for factor variance invariance by comparing the fit of the freely estimated model to a series of models that sequentially constrained the factor variances to be equal. The results also support factor variance invariance (see *Table 4*). The data demonstrated that the measurements were invariant across the two samples, thus enabling the researchers to proceed to the structural model evaluation.

Model version	RMSEA	TLI	CFI	χ^2/df
Unconstrained model	.06	.90	.91	1.51
Measurement weights model	.06	.90	.91	1.50
Measurement intercepts model	.06	.90	.90	1.53

Table 4: Test for metric invariance and factor variance invariance

After proofing measurement equivalence across our two groups, we tested our model with the constructs identified in the one-way variance analysis by using multiple group structural equation analysis. The results are provided in *Figure 3*.

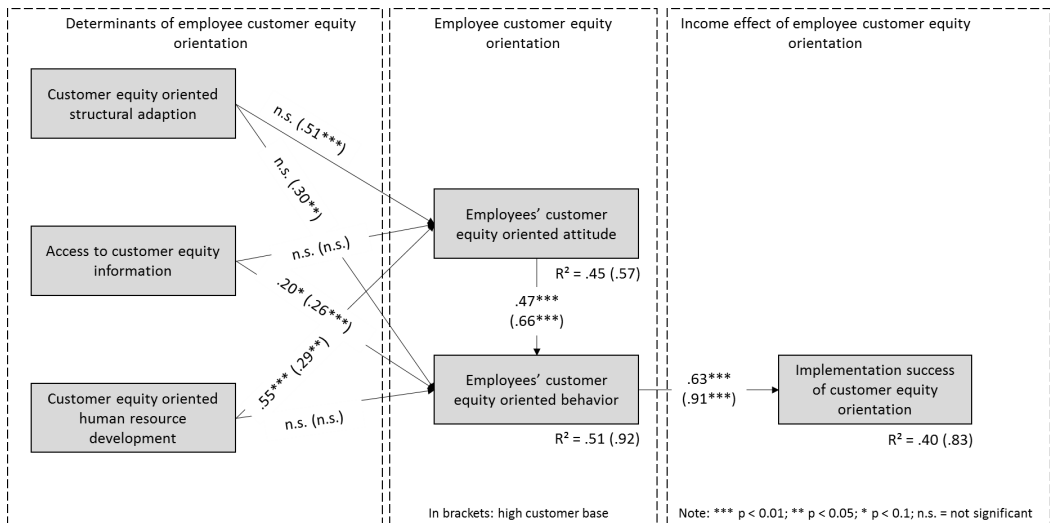


Figure 3: Employee customer equity orientation in the context of low and high customer bases

It becomes apparent that while in the context of a low customer base customer equity oriented structural adaption shows no influence on employee customer equity orientation, adapted structures represent an essential promoting factor for firms with a high customer base. Moreover, our results reveal that customer equity oriented human resource development is a much higher promoting factor for a customer equity oriented attitude of employees in the context of a low customer base than for firms with a high customer base. Finally, it is demonstrated that employees' customer equity oriented behaviour is a much higher predictor of the implementation success of customer equity orientation for firms with a high customer base than in the context of a low customer base.

5.3 Mediation effects

To show the high relevance of employee's customer equity orientation in our research model, we analysed the mediating roles of employees' customer equity oriented attitude and employees' customer equity oriented behaviour by using the bootstrapping bias-corrected confidence interval procedure in SEM (*Cheung/Lau 2007*). The underlying function of the bootstrap procedure is that the data is re-sampled multiple times to obtain an estimate of the entire sampling distribution of the indirect effect. Advantages of the bootstrap method are a lack of normality assumption and stronger accuracy of confidence intervals (*Preacher/Hayes 2008*). As *Zhao et al. (2010)* note, the bootstrap test of the indirect effect is more powerful than *Sobel's* test. To obtain confidence intervals, we used 2000 samples. To test the null hypothesis regarding mediation effects, the bias corrected percentile method generated 95 % confidence intervals. As the results in *Table 5* reveal, employees' customer equity oriented attitude and employees' customer equity oriented behaviour represent full and partial mediators in our research model. Hence, the importance of employees' customer equity orientation for companies is emphasised.

Independent variable (X)	Mediator (M)	Dependent variable (Y)	Path	Standardised estimates	Path	Standardised estimates	R ² (Y)	Bootstrap bias-corrected percentile method		Mediation	
								Lower	Upper		p-value
Customer equity oriented structural adaption	Employees' customer equity oriented attitude	Employees' customer equity oriented behaviour	X → Y	.15***	X → Y X → M M → Y	.26*** .39*** .30***	.29	.76	.17	.00	partial mediation
Customer equity oriented interdepart. cooperation	Employees' customer equity oriented attitude	Employees' customer equity oriented behaviour	X → Y	.08 (n.s.)	X → Y X → M M → Y	.47*** .25*** .35***	.26	.11	.23	.00	full mediation
Access to customer equity information	Employees' customer equity oriented attitude	Employees' customer equity oriented behaviour	X → Y	.08 (n.s.)	X → Y X → M M → Y	.18*** .27*** .37***	.26	.06	.14	.00	full mediation
Customer equity oriented design of reward systems	Employees' customer equity oriented attitude	Employees' customer equity oriented behaviour	X → Y	.10**	X → Y X → M M → Y	.26*** .33*** .45***	.27	.10	.20	.00	partial mediation
Customer equity oriented HR development	Employees' customer equity oriented attitude	Employees' customer equity oriented behaviour	X → Y	.22***	X → Y X → M M → Y	.38*** .28*** .55***	.22	.10	.23	.00	partial mediation
Top management's commitment	Employees' customer equity oriented attitude	Employees' customer equity oriented behaviour	X → Y	.08 (n.s.)	X → Y X → M M → Y	.25*** .34*** .49***	.26	.11	.22	.00	full mediation
Customer equity oriented structural adaption	Employees' customer equity oriented behaviour	Implementation success of customer equity orientation	X → Y	.39***	X → Y X → M M → Y	.48*** .36*** .26***	.31	.04	.15	.00	partial mediation
Customer equity oriented interdepart. cooperation	Employees' customer equity oriented behaviour	Implementation success of customer equity orientation	X → Y	.51***	X → Y X → M M → Y	.61*** .39*** .25***	.36	.05	.18	.00	partial mediation

Independent variable (X)	Mediator (M)	Dependent variable (Y)	Path	Standardised estimates	Path	Standardised estimates	Path	Standardised estimates	R ² (Y)	Bootstrap bias-corrected percentile method		Mediation
										Lower	Upper	
Access to customer equity information	Employees' customer equity oriented behaviour	Implementation success of customer equity orientation	X → Y	.43***	X → Y	.51***	X → Y	.34	.04	.15	.00	partial mediation
			X → M			.45***	X → M					
			M → Y			.18***	M → Y					
Customer equity oriented design of reward systems	Employees' customer equity oriented behaviour	Implementation success of customer equity orientation	X → Y	.45**	X → Y	.26***	X → Y	.36	.03	.14	.00	partial mediation
			X → M			.34***	X → M					
			M → Y			.54***	M → Y					
Customer equity oriented HR development	Employees' customer equity oriented behaviour	Implementation success of customer equity orientation	X → Y	.34***	X → Y	.50***	X → Y	.23	.09	.26	.00	partial mediation
			X → M			.44***	X → M					
			M → Y			.38***	M → Y					
Top management's commitment	Employees' customer equity oriented behaviour	Implementation success of customer equity orientation	X → Y	.53***	X → Y	.61***	X → Y	.41	.04	.15	.00	partial mediation
			X → M			.32***	X → M					
			M → Y			.25***	M → Y					
Employees' customer equity oriented attitude	Employees' customer equity oriented behaviour	Implementation success of customer equity orientation	X → Y	.59***	X → Y	.69***	X → Y	.35	.03	.20	.00	partial mediation
			X → M			.26***	X → M					
			M → Y			.40***	M → Y					

Table 5: Results of Mediation Analyses

6. Discussion

6.1 Theoretical Implications

In view of the existing problems on implementing customer equity orientation in practice, our study addresses three crucial barriers to its implementation, which up to now have not received sufficient attention in research and practice. Especially the unsatisfying support and implementation of customer equity orientation by employees are often held responsible for implementation failures (Bell *et al.* 2002; Shah *et al.* 2006). Against this background, the core objective of this study was to analyse employee customer equity orientation, as well as its driving forces and effects on its implementation success.

Regarding the construct of employee customer equity orientation, two central findings arise. First of all, the results show that employees' customer equity orientation unfolds by means of two central, substantively different facets: (1) customer equity oriented attitude and (2) customer equity oriented behaviour. Second, the strong influence of a customer equity oriented attitude on the behaviour highlights the relevance of employees' inner convictions towards customer equity orientation for their day-to-day-business in the long run.

Our study reveals that the identified driving forces behind customer equity orientation influence employee customer equity orientation in different ways. Structural adaption and the creation of incentives show the strongest effects on customer equity orientation, since they both directly influence employees' attitude and behaviour. The importance of structural adaption of customer equity orientation also becomes clear when analysing employee customer equity orientation in the context of low and high customer bases. It has been shown that structural adaption represents an essential requirement for generating employee customer equity orientation in firms with high customer bases. Interdepartmental cooperation, human resource development and top management commitment on the contrary, only have an indirect effect on the employees' customer equity oriented behaviour, by influencing the latter's attitude. This can be explained by the fact that these influence factors develop a strong signalling effect with regard to the significance of customer equity orientation to the company, which positively influences the employees' attitude. Particularly the commitment of the top management is said to have a strong signal effect (Kristoffersen/Singh 2004). Consequently, it has the strongest influence on the employees' attitude towards customer equity orientation. Access to relevant customer equity information, on the contrary, exclusively affects the employees' customer equity oriented behaviour. An explanation for this purpose might be that employees consider an easy access to information needed as a basic prerequisite for an operative implementation of customer equity orientation in day-to-day business. Thus, no special influence on employees' attitude unfolds.

Furthermore, two central results arise with regard to the effects of customer equity orientation on its implementation success. First of all, the results show that the realisation of customer equity orientation by employees in their daily business is a decisive factor for its implementation success. The strong influence of customer equity oriented behaviour on the implementation success as well as the large R^2 substantiates this. Thus, the assumption, that a strategy's implementation success becomes visible when the employees involved act in line with this strategy, is confirmed. Moreover, by analysing employee customer equity orientation in the context of low and high customer bases, it becomes clear that in firms with a high customer base, employees acting in line with the strategy of customer equity orientation represent a key prerequisite for the implementation success of this strategy.

Hence, our findings provide a set of implications for marketing and management research. Generally, we make a significant contribution to close the existing research gaps. While current research analyses the implementation of customer equity orientation on a corporate level (*Reinartz/Thomas/Kumar 2005*), our study is the first to consider customer equity orientation on the individual employee level. We develop a measuring instrument for capturing employees' customer equity orientation. As a result, a valid and economical scale, which serves as a good starting point for further research, emerges. Additionally, by analysing the influence of driving forces behind customer equity orientation on the individual employee level, we broaden the discussion with important findings for a perspective which is significant for the implementation of customer equity orientation. Based on this analysis comprehensive and concrete results are obtained.

To conclude, our study sheds new light on the discussion of customer equity orientation and its implementation success. Best to our knowledge, this is the first study that empirically shows a positive effect of employee customer equity orientation on its implementation success. Since existing articles in relationship marketing literature have not taken into account implementation factors of customer equity orientation, yet, our study extends current knowledge with regard to customer equity orientation and provides a significant extension of current research.

6.2 Managerial Implications

Our results also have several implications for managers, including guidelines for implementing employee customer equity orientation. In this context, firms that wish to implement customer equity orientation should conduct employee customer equity orientation analysis, define strategies and plan actions.

In detail, with respect to employee customer equity orientation analysis, firms should carry out systematic customer equity orientation studies by examining employees' attitude and behaviour. In this context, our research provides a short-form scale to measure employee customer equity orientation which could be implemented easily in an employee or manager survey.

Furthermore, firms must address employee customer equity orientation in a strategic process, such that customer equity orientation plays an important role in their targeting, segmentation and strategy definition. Thereby, the present study's central findings illustrate that employees' customer equity oriented attitude and behaviour is a crucial factor for a long-term implementation success of customer equity orientation. Considering that, it is highly significant for companies to recognise relevant driving forces behind their employees' customer equity orientation, and to strategically plan actions in order to install these driving forces. In that matter, the survey provides a set of recommendations.

We identified a company's customer equity oriented structural adaption as well as customer equity oriented design of reward systems as the central influence factors of employees' customer equity orientation, since the latter are driving forces that affect both the employees' customer oriented attitude and behaviour. When looking at structural adaption, it is necessary that the organisational structure of a company is aligned to different types of customers, such as 'A'-, 'B'- and 'C'-customers. Particularly those business units with direct customer contact are supposed to be re-organised respectively.

The customer equity oriented incentive system should be designed in a way that the employees' and the company's goals are in accordance with each other. Therefore, both mon-

etary (e. g., financial rewards) and non-monetary incentives (e. g., career opportunities, acceptance within the firm), should be linked with the achievement of customer equity goals.

Our study identifies the commitment of the company's top management as the strongest driving force behind the employees' customer equity oriented attitude. Hence, for the implementation success it is crucial to convince the top management that customer equity orientation has a high significance for the company, and to set the responsibility for implementing customer equity orientation preferably to a high corporate level. Moreover, top managers must regularly point out the high significance of customer equity orientation for the firm. Thus, for example, customer equity orientation should be formulated as a central strategic corporate objective. Moreover, the significance of customer equity orientation for the company's success is supposed to be communicated regularly by means of internal communication through the top management.

6.3 Limitations and Areas for Further Research

Like any research project, ours has some limitations, which offer starting points for further research. First of all, it should be noted that the interrelationship between the employees' customer equity oriented attitude and behaviour is subject to the risk of overestimation, since both constructs are recorded through an assessment by one and the same person. Although the employees' self-assessment of their attitude was validated with the external assessment through managers, the validation sample is considered to be relatively small. Since the topic customer equity orientation is rated as highly sensitive, a complete dyadic analysis was not possible. Thus, further research should concentrate on collecting dyadic data in order to analyse the interrelationship between employees' customer equity oriented attitude and behaviour.

Second, the moderating effects of the interrelationship between the employees' customer oriented attitude and behaviour were not taken into consideration. It would be interesting to analyse, in which way situational influences can have an impact on the strength of the above mentioned connection. Characteristics of the individual employee (e. g., reliability) or aspects of the relationship between employee and customer (e. g., duration of their relationship) can be seen as theoretical moderators. Hence, it is assumed that a friendly relationship between employee and customer, which has grown over the years, has a negative impact on the employee's customer equity orientation (*Brady et al. 2012*).

Third, there is reason to believe that the time component, which is not illustrated by the underlying data, plays an important role. In this context, it can be presumed that the effects of certain interrelationships within the conceptual framework become stronger over time, as in contrast to short term effects (e. g., interdepartmental cooperation). Moreover, it would be interesting to analyse which driving forces for implementation should be designed by a company in which particular phase or chronological sequence. Future research ought to increasingly work with longitudinal data, in order to explicitly take time aspects in the implementation process into consideration.

Fourth, this study contains a wide range of industries, which helps to ensure the results are independent of industry, but additional research could take a deeper look at the characteristics of specific industries (e. g., market dynamics) and their relative importance.

Nevertheless, our results with regard to customer equity orientation enhance scholars' ability to better explain the development and promotion of employees' customer equity orientation. In this context, our results reveal that implementing customer equity orienta-

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