The Impact of Customer Retention Orientation and Brand Orientation on Customer Loyalty and Financial Performance in SMEs: Empirical Evidence from a Balkan Country*

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The goal of this paper is to explore the impact of SMEs' strategic orientations on customer loyalty and financial performance. SEM analysis was employed in order to test the proposed hypotheses. Our study suggests that SMEs can improve their customer loyalty performance by developing their orientation toward creating customer retention and brand value, while at the same time maintaining brand consistency. The results confirmed only the positive relationship between brand orientation and financial performance partially mediated by customer loyalty. The type of business sector and the company's size as control variables do not affect the assumed relationships in the model.

Keywords: brand consistency, customer loyalty performance, brand orientation, customer retention orientation, financial performance, SMEs.

1. Introduction

Micro, small and medium-sized enterprises (SMEs) are the driving force of the economy given their significant contribution to the economic growth of nations (Beck et al. 2005), poverty reduction (Vandenberg 2006), job creation (Lukács 2005), innovation practice (Terziovski 2010) etc. In Macedonia, SMEs have great importance for the economy, participating with 99% in the total number of enterprises, engaging around 77% of the total number of employed persons and generating around 66% of the total value added in the business sector (State Statistical Office of RM 2012). Similar situation regarding SMEs exists in other Balkan countries.

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Generally, SMEs are characterized by limited financial resources, customer base, knowledge, marketing activity and have little influence on the market. All these characteristics make them vulnerable to large companies' activities. However, their major strength is the ability to respond more quickly than large organisations to changing market requirements (Matejun 2014). According to Zontanos and Anderson (2004), small firms can build marketing advantages by cultivating close relationships with customers, indicating that customer relationship marketing seen as facet of entrepreneurship can contribute significantly to the firm's growth. Moreover, SMEs can take advantage from investing into brand building activities by building passion for the brand throughout the company (Krake 2005).

So far, most of the research studies investigating the impact of strategic orientations on business performance have been focusing on large companies (Kumar et al. 2012). Moreover, the findings of Laforet (2008) and Kumar et al. (2012) indicate that strategic orientations differ across companies with different size.

Among the research studies analysing the strategic orientation of SMEs, the majority focus on investigating the market orientation of SMEs (Yin Wong/ Merrilles 2005; Eggers et al. 2013; Mokhtar et al. 2014) and customer orientation of SMEs (O'Cass et al. 2012; Eggers/Kraus 2011). Research that investigates the brand orientation of SMEs (Reijonen et al. 2012) and its influence on business performance is still scarce (Laukkanen et al. 2013) and there is no analysis of brand consistency in the SMEs context.

This study responds to the call by Eggers et al. (2013) for the systematic investigation of the relationship between customer orientation and business success in different contexts, such as SMEs. Also, this study responds to the call by Laukkanen et al. (2013) for researching the multiple strategic orientations and their effects on business performance and for researching the possible mediating effects between different strategic orientations as prior studies have mainly been focused on researching a single orientation. Therefore, the main objective of this study is to empirically examine the impact of two strategic orientations (customer retention orientation and brand orientation) on business performance (customer loyalty and financial performance).

Another compelling reason for this research is the fact that there are limited studies on this topic from the SMEs perspective in a developing economy setting and there are no previous studies focusing on the Balkan countries. As Laukkanen et al. (2013) suggest, the performance effects of strategic orientations depend on the country context and future research should extend the range of analyzed countries. More importantly, researchers have already revealed differences in returns on customer orientation in Central and Eastern Europe as opposed to the Western European countries (Theoharakis/Hooley 2008) and meta-analysis on market orientation has indicated different effects in different economy con-

texts (Kirca et al. 2005; Ellis 2006). The research of Liargovas and Chionis (2002) conducted in seven Balkan countries revealed that the financial issue is the most important barrier for success within a business environment, while business strategy, marketing, finance, strategy, human resource management, international trade experience and command of foreign languages are functions in which business practitioners in Balkan countries are most deficient. Managers from Balkan countries mostly focus on improving product/service quality (Krasniqi/Kume 2013), lack the sense of a proper marketing strategy (Fejza/Asllani 2013), lack knowledge and management skills (Mitreva et al. 2012); implement less efficient brand management practice as compared to foreign international companies (Kaličanin et al. 2015), and do not pay enough attention to customer expectations and wishes (Ćirić et al. 2014).

From a consumer perspective, people in the Eastern cultures, such as the Balkan countries which are more collectivistic (Hofstede 2001), are expected to have a higher need to maintain prestige and status, and thus have a higher level of brand consciousness (Podrug et al. 2006). Also, cultures with higher uncertainty avoidance (typical for developing countries) should be more brand loyal than cultures with lower uncertainty avoidance (typical for developed countries) (Hofstede 2001; Lam 2007). Consequently, it can be assumed that brand orientation (brand strategy) may significantly differ in collectivistic and developing Balkan countries as compared to the more individualistic and developed Western countries. However, the findings of Deshpande et al. (2000) and Cano et al. (2004) proved that the relationship between market orientation and business performance is not culture specific (collectivism versus individualism). On the other hand, market orientation has a significantly stronger impact on performance in westernized societies than in the more culturally distant nations of Eastern Europe (Ellis 2006).

In sum, findings from prior work suggest that the effect of a brand orientation, customer retention orientation and even brand consistency on SMEs' performance in the Macedonian context may be entirely different given the country's unique setting compared to more technologically advanced EU nations. This makes a research report that is situated in the Balkan context an interesting read with respect to the fundamental question of whether strategic orientation can play a defining role in SMEs' performance in light of increasing competitiveness of the Macedonian economy in recent years.

The article is organized as follows. In the next section, we review the relevant literature and develop the research hypotheses. Next, we determine the research methodology, followed by the presentation of findings and conclusions. The last section outlines the limitations and implications of our findings and discusses for future research.

2. Literature Review and Research Hypotheses

In this section we conceptualize the analysed constructs and derive hypotheses explaining the relationships between the constructs, followed by developing the research model.

The research model comprises customer retention orientation and brand orientation and their effects on two business performance measures, customer loyalty and financial performance. The combined analysis of the strategic orientations is addressing the research gap regarding the applicability and impact of the mix of strategic orientations on SMEs' performance (Laukkanen et al. 2013). Brand consistency is also involved in the model as a relatively unexplored construct in the literature.

Customer retention orientation

Customer retention orientation focuses on "obtaining information about, differentiating between, and allocating resources to manage relationships with existing customers on the basis of their long-term value" (Arnold et al. 2011:235). According to Camarero (2007:409) consumer relationship orientation could be defined as "an organization engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers over time".

Narver and Slater (1990) analysed the relationship between market orientation (customer orientation is integral part of market orientation) and customer retention rate showing that customer orientation is a determinant of objective performance and that market orientation is positively associated with financial performance. In this line, other studies found positive relationship between market orientation and objective performance (Agarwal et al. 2003), between market orientation and subjective performance (Voola et al. 2012), as well as between creating and managing close customer relationships and financial performance (Battor/Battor 2010).

Ramani and Kumar (2004) proved the positive relationships between orientation towards customer interaction and development of profitable customer relationships, and between customer interaction orientation and customer-based relational performance. Sin et al. (2005) confirmed the assumption that relationship marketing orientation is positively associated with return on investment (ROI), customer retention and overall performance, while Alrubaiee and Al-Nazer (2010) found significant relationship between customer relationship (marketing) orientation and customer loyalty.

Regarding the SMEs, customer orientation focus could be a vital determinant of success, despite their characteristics which limit the benefits of an effective customer orientation concept (Pelham/Wilson's 1996). The findings of Appiah-Adu

and Singh (1998) confirmed that SMEs' customer orientation positively influences profitability levels of SMEs. Verhees and Meulenberg (2004) also found evidence of the positive impact of market (customer) orientation on firm performance in SMEs. Based on the forgoing discussions which mainly refer to the customer orientation concept as an organisation-wide emphasis on evaluating and addressing customer needs, we assume that customer retention orientation, as a concept that focuses on keeping the already acquired customers, will also positively influence SMEs' business performance. Therefore, we propose the following hypotheses:

Hypothesis 1:   *Customer retention orientation of SMEs has a positive effect on financial performance.*

Hypothesis 2:   *Customer retention orientation of SMEs has a positive effect on customer loyalty.*

Brand orientation

According to Urde (1999:117**),** brand orientation is "an approach in which the processes of the organization revolve around the creation, development and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands". Gromark and Melin (2011:395) defined brand orientation as "a deliberate approach to brand building characterised by brands being the hub around which the organisation' s processes revolve, an approach in which brand management is perceived as a core competence and where brand building is intimately associated with business development and financial performance".

Yin Wong and Merrilees (2008) confirmed strong positive relationship between brand orientation and financial performance. Also, Gromark and Melin (2011) found significant positive relationship between the degree of brand orientation and financial performance claiming that high brand-oriented companies are more profitable comparing to less brand-oriented companies.

Regarding the SMEs, Abimbola and Kocak (2007) claimed that strong brands are of vital importance to the sustainability of small businesses. Berthon et al. (2008) argued that higher-performing SMEs place relatively more emphasis on most of the key brand management dimensions than low performing SMEs. In addition, Reijonen et al. (2012) claimed that growing SMEs are significantly more brand-oriented than stable and declining SMEs. Additionally, the opportunity of SMEs for achieving an element of organizational personality (Inskip 2004) and the arguments that SMEs can build a brand with limited budgets (Yin Wong/Merrilees 2005) can be expected to result in decreasing costs and increasing profits (Calabro 2005).

Following the theoretical outcomes, we propose the following hypothesis:

Hypothesis 3:   Brand orientation of SMEs has a positive effect on financial performance.

Yin Wong and Merrilees (2008) found strong positive relationship between brand orientation and brand performance measured through brand image, brand awareness, brand reputation and customer brand loyalty. Laukkanen et al. (2013) confirmed the positive influence of brand orientation on brand performance (customer loyalty). Regarding SMEs, the relationships between brand orientation and customer loyalty/brand consistency have not been analysed and supported by the empirical evidence so far. Based on the forgoing discussion, we can assume that brand orientation strategy of SMEs aimed at building and maintaining strong brands which customers trust, positively influences customer loyalty. Moreover, we assume that brand orientation of SMEs influences brand consistency since building strong brands calls for consistency in communications and in product delivery. Consequently, we propose the following hypotheses:

Hypothesis 4:   Brand orientation of SMEs has a positive effect on customer loyalty.

Hypothesis 5:   Brand orientation of SMEs has a positive effect on brand consistency.

Brand consistency

Since the image of the brand-oriented company is a reflection of all its actions, the company should strive for uniform, harmonized and consistent communication in accordance with the brand vision (Urde 1994). Yin Wong and Merrilees (2005) indicated the need for a clear and consistent communication of the brand through all marketing activities as a necessity when building and implementing the company's brand orientation.

Brand consistency means that the promise made to stakeholders must be in alignment with its corporate values, vision and strategy (Eggers et al. 2013). Ghodeswar (2008) claimed that in the brand building process, communicating the consistent brand message to the target audience is very important. Consistency among all brand elements should be present as well, since brand dimensions are of great value to the customers when they consider buying the brand. Moreover, brand consistency is a determinant of brand clarity and credibility (Erdem/Swait 1998) and determinant of brand trust, while brand trust is a determinant of SME's growth (Eggers et al. 2013).

According to Duncan and Moriarty (1998) interactive communications via consistent brand messages produce strong brand relationships that lead to increased brand value. Brand image resulting from consistent brand building ac-

tivities positively influences customer satisfaction, loyalty and commitment (Ogba/Tan 2009). The brand consistency construct is relatively new in the literature and the empirical evidence regarding its impact on SMEs' performance metrics cannot be found in the literature as to date. On the basis of the forgoing arguments we propose the following hypotheses:

Hypothesis 6: *Brand consistency of SMEs has a positive effect on financial performance.*

Hypothesis 7: *Brand consistency of SMEs has a positive effect on customer loyalty.*

Customer loyalty

According to Agarwal et al. (2003), judgmental performance (customer satisfaction and loyalty) is significant and positively related to objective performance (gross operating profit). Chaudhuri and Holbrook (2001) confirmed positive relationship between purchase loyalty and market share, and between attitudinal loyalty and the price of a brand relative to the price of the leading competitors. Furthermore, Zhang et al. (2010) confirmed the effect of customer loyalty on profitability using the framework of customer lifetime value. Helgesen (2006) also found a positive, but gradually weakening relationship between customer loyalty and customer profitability. The findings of Reichheld and Sasser (1990) and Yin Wong and Merrilees (2008) verified the positive relationship between brand performance and financial performance.

On the basis of the forgoing arguments we propose the following hypothesis:

Hypothesis 8: *Customer loyalty of SMEs has a positive effect on financial performance.*

Once we proposed the hypothesised relationships among the constructs, the need for analysing the meditating roles of some of the constructs emerged logically. Namely, brand consistency is further analysed as a mediator between brand orientation and customer loyalty performance as well as between customer retention orientation and customer loyalty performance. The mediating role of customer loyalty is also analysed in the relationship between customer retention orientation/brand orientation/brand consistency and financial performance. By examining these associations, we aim to respond to the recommendation by Laukkanen et al. (2013) for analysing the possible mediating effects between different strategic orientations, in order to increase the understanding of how different strategic orientations and performance measures relate to each other.

3. Research Methodology and Findings

3.1. Data collection and sampling

Since the main focus of the present research is on SMEs, we used the snow-balling technique to distribute an on-line questionnaire to key informants of 500 SMEs in the Republic of Macedonia. The actual questionnaire was preceded by a pilot survey conducted with key informants of 10 SMEs and their suggestions were used in order to revise and refine the survey items/questions. A total number of 191 responses were obtained and 181 were used in the final research as effective responses. The demographic characteristics of the sample are presented in Table 1.

Table 1: Summary Statistics of the Sample

Sample Characteristics		Frequency (%)
Position of key informants		
	Owner	37
	Manager	63
Age of organization		
	1-6 years	34.3
	More than 6 years	65.7
Number of employees		
	1-9 employees	51.4
	10-49 employees	27.1
	50-249 employees	21.5
Type of business sector		
	Financial sector	6.6
	Tourism and hospitality	6.6
	Food industry	7.7
	Textile industry	2.8
	Telecommunication	17.1
	Consulting (accounting, marketing, law etc.)	34.8
	Trading	6.1
	Transport/warehousing/logistic	3.3
	Other	15

All of the analyses were performed using SPSS version 20 and AMOS version 20.

3.2. Survey instrument

The research instrument used in this study was developed as a structured questionnaire, based on the previous relevant studies (Eggers et al. 2013; Laukkanen et al. 2013; Voola et al. 2012; Arnold et al. 2011). The questionnaire had two parts: the first part comprises questions regarding demographic characteristics of the organizations (organization age and size (number of employees), type of business sector etc.), while the second part consists of 24 items measuring the researched constructs. All of the items were measured on a five-point Likert scale (1 = "strongly disagree" to 5 = "strongly agree"), reflecting subjective assessment of key informants regarding company orientation and performance. Since the original items and questions were adapted from English and translated to Macedonian, we conducted reverse translation back to English in order to correct for translation problems and misunderstandings.

3.3. Common method variance

As suggested by Chang et al. (2010) and Podsakoff et al. (2003), in order to minimize the common method bias we implemented ex-ante activities in the research design stage. Namely, the questionnaire was designed and administered in a way that anonymity of the study was assured and respondents were asked to honestly answer the questions, stating that there are not right or wrong answers (see Chang et al. 2010). As the key-informants were not obliged to participate in the study and those who did were highly involved in the companies' activities, we are confident that their answers are likely to be free of any bias (see MacKenzie/Podsakoff 2012).

Additionally, the chances of common method bias were reduced by specifying a complex model, i.e. introducing mediation relationships between independent and dependent variables in the proposed research model (Cheng et al. 2010). We assume that these relationships are not expected to be part of the respondents' cognitive maps.

In the data analyses stage, we implemented ex-post statistical procedures in order to test the common method variance. First, we performed the Harman's single-factor test (Podsakoff et al. 2003) with the results indicating that any single factor does not explain a dominant part of the total variance (the single-factor solution explains about 32 % of the variance), which suggest that the problem of using a single source was avoided and there is no bias in the obtained results. Finally, we performed the common latent factor method by adding the common latent factor in the measurement model (Podsakoff et al. 2003). The comparison of the standardized regression weights from the model without the CLF to the standardized regression weights of a model with the CLF indicate that there are not large differences, therefore there are no severe threats of common method bias.

3.4. Dimensionality and reliability

We checked for dimensionality of the constructs by conducting exploratory factor analysis with the Maximum Likelihood extraction method and Varimax rotation. The results revealed five factors (brand orientation, customer loyalty performance, financial performance, customer retention orientation and brand consistency) with no cross-construct loadings above 0.4. Additionally, all of the constructs proved to be one-dimensional and distinct, measured by particular items. Reliability of the data was assessed by using Cronbach's alpha as an indicator of internal consistency of the items. Cronbach's alpha values ranged from 0.844 to 0.939, exceeding the suggested threshold of 0.70 (Hair et al. 2006).

3.5. Measurement model

As Fornell and Larcker (1981) suggested, an evaluation of the psychometric properties of the measures and the level of adequacy of the measurement model should be made before testing the relationships in a structural model. Based on this, we constructed the measurement model and performed confirmatory factor analysis, using each item as a reflective indicator of the respective construct. Because of the large standardized residual covariances, four items were removed from the model (items 2, 18, 14, 11). The final model consists of twenty items, measuring five constructs. The standardized loadings of each item indicated strong reflection of their respective construct (0.597-0.902), all significant at p<0.01 (see Table 2).

Table 2: Items, standardized loadings and CR

Constructs/Items	Mean	SD	Standardized regression coefficients	CR
Customer retention orientation				0.8
Our organization regularly measures how successfully employees retain valuable existing customers.	3.989	0.989	0.654***	
Our organization is structured to optimally respond to existing customers with different values.	4.232	0.831	0.733***	
In our company, maintaining relationships with valuable existing customers is viewed as an investment rather than an expense.	4.276	0.863	0.734***	
Being able to retain valuable existing customers is seen by our employees as key for the success of the company.	4.309	0.826	0.704***	
Brand orientation				0.846
Building a brand name is a focal part of our business strategy.	3.994	1.067	0.838***	
Building a brand is integrated in all our marketing.	3.74	1.118	0.898***	

Constructs/Items	Mean	SD	Standardized regression coefficients	CR
Building a brand is important for our business operations.	4.133	0.991	0.689***	
We usually set aside some amount of money for advertising our products/services.	3.315	1.213	0.597***	
Brand consistency				0.847
Our promise to customers follows our company's values.	4.287	0.84	0.702***	
We are perceived as 'real'.	4.414	0.774	0.847***	
Our promise to customers is in accordance with the company's vision and company strategy.	4.376	0.838	0.862***	
Financial performance				0.923
Relative to our direct competitors, our profit levels have significantly increased in the last two years.	3.359	1.032	0.813***	
Within the last two years, our profit margins have significantly improved.	3.287	0.992	0.861***	
In the last two years, we have become more satisfied with our company's financial position.	3.392	1.103	0.902***	
Our return on investment has significantly improved in the last two years.	3.238	1.008	0.883***	
Customer loyalty				0.94
The levels of customer loyalty in our organization look to be increasing on a yearly basis.	3.961	0.897	0.873***	
Within the last two years, our company has been quite successful at retaining most of our existing/new customers.	4.122	0.88	0.864***	
The levels of customer satisfaction compared to previous years have significantly increased.	4.088	0.852	0.888***	
We have more loyal customers than most of our direct competitors.	3.956	0.948	0.841***	
Compared to previous years, our customers are now much happier with our services/products.	4.05	0.884	0.883***	

Fit indices: x^2/df=1.21;GFI=0.907; AGFI=0.877; CFI=0.986; RMR=0.03; RMSEA=0.034, NFI=0.926[1]
*** significant at p<0.01

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[1] Recommendation criteria: x^2/df< 2; GFI (goodness-of-fit-index) > 0.90; AGFI (adjusted goodness-of-fit index) > 0.90; CFI (comparative fit index) > 0.90; RMR (root mean squared residual) < 0.05; RMSEA (root mean square error of approximation) < 0.05; NFI (normative fit index) > 0.90

The reliability values for all constructs were above 0.80, ranging from 0.800 to 0.940, as was measured by using composite reliability (CR). Additionally, we examined the convergent and discriminant validity of each construct. Convergent validity is proven if the variance extracted value (AVE) is above 0.50 for each construct (Fornell/Larcker 1981). In the final measurement model, the average variance extracted value of each construct reaches or exceeds the suggested value of 0.50. Discriminant validity indicates that a construct is conceptually distinct from other constructs. In our model, the square-roots of the AVEs were higher than squared correlation coefficients of each pair of constructs (Hair et al. 2006), thus establishing discriminant validity (See Table 3).
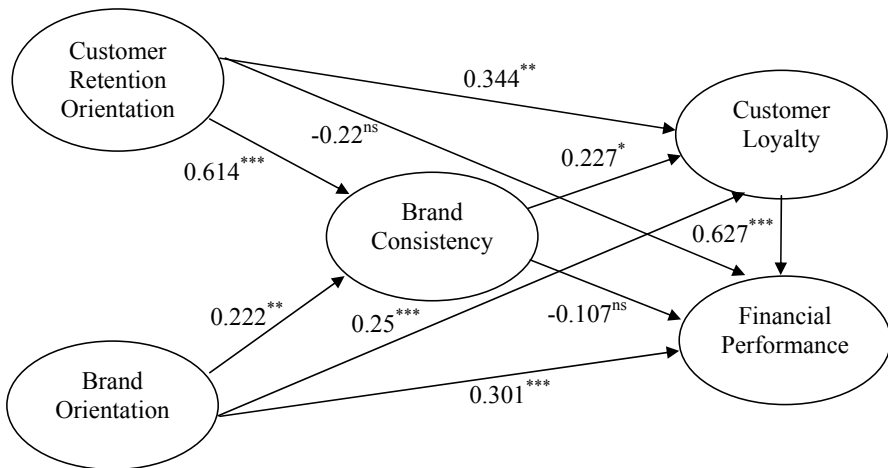
Table 3: Convergent validity (AVE) and discriminant validity

	AVE	Square root of AVEs in diagonal cells				
		Financial performance	Customer retention orientation	Brand orientation	Brand consistency	Customer loyalty
Financial performance	0.749	*0.865*				
Customer retention orientation	0.500	0.196	*0.707*			
Brand orientation	0.585	0.482	0.354	*0.765*		
Brand consistency	0.651	0.227	0.680	0.431	*0.807*	
Customer loyalty	0.757	0.583	0.581	0.468	0.567	*0.870*

All of the model fit indices of the assessed measurement model are above the proposed thresholds, indicating that the proposed research model has an acceptable fit.

3.6. Structural model

Finally, we propose and test the conceptual model using structural equation modelling with the Maximum Likelihood Method. The inspection of modification indices suggested a positive relationship between "customer retention orientation" and "brand consistency" that was not initially hypothesized in the structural model. We included this relationship in the modified structural model (see Figure 1).

Figure 1: Structural model

Fit indices: x^2/df=1.163;GFI=0.904; AGFI=0.872; CFI=0.987; RMR=0.048; RMSEA=0.03, NFI=0.916

The appropriate level of goodness-of-fit indices proved the adequacy of the structural model. Additionally, values of R^2 of the outcome constructs indicate that the research model explains relatively high percent of the variability in brand consistency (51.5%), in subjective assessment of financial performance (46.6%) and in customer loyalty performance (46.6%).

Business sector type and company size were used as control variables. All of the coefficients between a control variable and each dependent variable were insignificant, indicating that the level of brand consistency and company's performances (customer loyalty performance and financial performance) is not influenced by company size and sector in which the company operates.

Table 4 shows the standardized regression coefficients together with the significance level and hypotheses outcome.

Note that we hypothesized positive relationships between all the particular pairs of constructs. The results presented in Table 4 indicate that two (referring to the relationship between customer retention orientation and financial performance (Hypothesis 1) and between brand consistency and financial performance (Hypothesis 6)) of the hypothesized relationships were insignificant. All other hypotheses were confirmed, proving positive and significant relationships between the constructs.

The presented results indicate that company orientation toward creating strong brand and toward building long-term relationship with its customers are direct antecedents of brand consistency. Furthermore, we found support for the hypoth-

Table 4: Standardized regression coefficients within the structural model

			Standardized regression coefficient	S.E.	C.R.	Hypothesis Outcome
FP	<---	CRO	-0.22 ^{ns}	0.152	-1.878	H1: Not supported
CLoy	<---	CRO	0.344**	0.136	3.045	H2: Supported
FP	<---	BO	0.301***	0.076	3.724	H3: Supported
CLoy	<---	BO	0.25***	0.066	3.32	H4: Supported
BCons	<---	BO	0.222**	0.051	2.873	H5: Supported
FP	<---	BCons	-0.107 ^{ns}	0.157	-0.975	H6: Not supported
CLoy	<---	BCons	0.227*	0.146	2.07	H7: Supported
FP	<---	CLoy	0.627***	0.106	6.34	H8: Supported
BCons	<---	CRO	0.614***	0.098	5.711	H9: Supported

Where ns = non-significant;*** $p < 0.00$;**$p < 0.01$; *$p < 0.05$

esized positive relationship between company orientation (brand orientation and customer retention orientation) and customer loyalty. Improving customer loyalty performance is directly and simultaneously determined by brand orientation and customer retention orientation. Additionally, brand consistency has significant positive influence on customer loyalty performance, suggesting a mediating role of brand consistency in the relationship between company orientation (brand orientation and customer retention orientation) and customer loyalty performance. In this study, the influence of customer retention orientation on customer loyalty (0.344) is stronger than the influence of brand orientation (0.25) and brand consistency (0.227) on customer loyalty. On the other hand, financial performance is positively influenced only by brand orientation and customer loyalty performance. The effect of customer loyalty is significantly stronger (0.627) than that of brand orientation (0.301). Since customer loyalty is also positively influenced by brand orientation, we assume a mediating effect of customer loyalty in the relationship between brand orientation and financial performance.

3.7. Testing mediation

We tested the mediating role of brand consistency in the relationships between brand orientation/customer retention orientation and customer loyalty performance. However, we did not proceed with testing the mediating role of brand consistency for the relationships between brand orientation/customer retention orientation and financial performance, since the mediator (brand consistency) does not affect the outcome variable (financial performance).

We followed Baron/Kenny's (1986) procedure for mediation testing and established that brand consistency partially mediates both relationships (brand orientation/customer loyalty performance and customer retention orientation/customer loyalty performance) since the standardized regression coefficients were reduced when the mediating construct was included. Thus, the influence of the company's orientation on customer loyalty performance is transmitted through building and maintaining homogeneous brand reputation and consistent brand identity. This result suggests that brand consistency is an important, but not sufficient condition for improving customer loyalty performance by improving company's orientation toward brand and customer retention.

Customer loyalty could be analyzed as a mediator only in the relationship between brand orientation and financial performance, since in the other two cases (customer retention orientation/brand consistency and financial performance), some of the criteria for testing mediation (Baron/Kenny 1986) were not satisfied. The results indicate that customer loyalty partially mediates the influence of brand orientation on financial performance, suggesting that customer loyalty performance is a way through which the company can affect its financial performance by creating a valued brand.

4. Discussion

This article examines the complex relationship that stems from the strategic pairs of customer retention orientation and brand orientation on brand consistency, customer loyalty and financial performance of SMEs in one of the Balkan countries – the Republic of Macedonia. It is unsurprising that among the Macedonian SMEs under study, financial performance on average got the lowest ratings amongst the other measures (see Table 4); this itself is indicative of the difficult financial terrain as well as increasing competitiveness of the business environment that the SME is faced with. Notably, the research findings provide new insights on how SMEs can improve their overall performance. An important contribution of the present research is that our enhanced theoretical model offered us the opportunity to test some assumptions with respect to whether brand orientation, customer retention orientation, brand consistency, customer loyalty and financial performance are related in the Balkan SMEs' setting. In doing so, our research is one of the first in the literature to report on the considerable impact of brand orientation on the triad of brand consistency, customer loyalty, and SMEs' financial performance, particularly in the Balkan context. Moreover, given that very little is known about the construct of customer retention orientation in SMEs, our research offers empirical evidence to illustrate that it is an important driver of brand consistency and customer loyalty performance. We also contribute to the developing Balkan SMEs literature by illustrating that customer loyalty partially mediates the relationship between brand orientation and financial performance; thereby providing details on the complex relation-

ship that may exist between the aforementioned variables. More importantly, the constant impact of strategic orientations is suggested among all of the analysed companies since the present study did not reveal any significant differences regarding business sector type and company size.

Interestingly, we find that customer retention orientation of the Macedonian SME owner-managers impacts most on the firm's customer loyalty, as it also has a bigger relative effect on brand consistency (see Table 4). Regarding brand orientation, although Laukkanen et al. (2013) could not establish a direct relationship between brand orientation and market performance of SMEs in two industrialized EU nations, we find support for the above mentioned direct relationship (i.e., brand orientation impacts directly on customer loyalty and financial performance). By and large, the study fully complements earlier works (e.g., Laukkanen et al. 2013; Yin et al. 2008) since it extends the finding further by observing the effect of brand orientation on SMEs' brand consistency, and consequently providing support for the relationship in an unexplored research setting. The extension of this finding is also consistent with the viewpoints of Eggers et al. (2013). The results of the study indicate that Balkan managers are aware that brand and customer retention orientations are useful business strategies and, although Macedonian managers are not as skilled as western managers, they benefit, though not sufficiently, from higher level of brand loyalty of collectivist consumers (Thompson et al. 2010). However, the relationship between brand orientation and customer loyalty/financial performance and between customer retention orientation and customer loyalty are significant but not strong, which is in line with the findings of Ellis (2006) that western countries experience stronger relationship between market orientation and performance comparing to Eastern European countries. In brief, the results suggest that for Balkan SMEs in general and Macedonian SMEs in particular, higher levels of brand orientation could induce superior business outcomes for the firm indicating that Macedonian managers need to improve their marketing and management knowledge and skills. In consequence, the firm is expected to enjoy more customer patronage, and ultimately better financial outcome.

Brand consistency is not only a direct antecedent to customer loyalty, but it also partially mediates the two-some relationships of brand orientation and customer retention orientation on SMEs' customer loyalty.

4.1 Theoretical and Managerial Implications

Within the last two decades or so, it has now become increasingly important for SMEs' entrepreneurs and/or managers to either implicitly or explicitly leverage on key strategic variables such as branding (in this context, brand orientation and brand consistency) and customer retention strategies. Unarguably, this study is among the first to provide empirical evidence on the association among cus-

tomer retention orientation, brand consistency, customer loyalty and the financial performance of SMEs. The results of this empirical study may assist managerial practice in at least three ways.

First, regarding customer retention orientation, this study has shown that it is a key component of the duo of brand consistency and customer loyalty but it might not be compelling enough to impact directly on the financial performance of a SME. Nonetheless, the expected benefits of investing in customer retention orientation drivers as a source for improved financial performance may be mediated by customer loyalty. Importantly, the Macedonian SMEs' entrepreneurs should evaluate their overall investments in customer retention strategies vis-à-vis their financial performance on an ongoing basis. Second, this study has highlighted the central role that a brand orientation plays in today's highly competitive and inter-connected marketplace. Specifically, this study similar to extant literature has shown that branding, and particularly brand orientation is a tool that has direct consequences on a firm's brand consistency, customer loyalty and financial performance. As such, it is vitally important to say that the Macedonian SMEs' managers should see their firm's brand-building activities, as first and foremost, an integral organizational strategy for long-term survival and success. Therefore, for the Macedonian SMEs that seek to become successful in the marketplace, concrete steps must be taken to instil a culture that promotes the uniqueness of the firm in terms of its responsiveness to customer requirements as well as the way it (specially) treats its customers. Brand orientation should be the main objective of the SMEs' decision-makers given that consumers in Balkan countries generally are becoming more financially empowered. For instance, in the Macedonian environment, a branded enterprise is likely to benefit more from impulse purchase by the typical young adult Macedonian consumer (Anic et al. 2010). Altogether, our research evidence suggests that brand oriented enterprises tend to enjoy more repeat patronage and financial outcomes (see Table 4).

The third implication is that investing in brand consistency alone is less likely to yield (quick) financial returns in the short-run but that such an investment assists the enterprise in growing its customer-base, and in turn it enables the firm to have more brand-loyal customers. Considering the shoestring budget of these enterprises, their managers/entrepreneurs could ensure the consistency of their brands by providing reasonable and/or realistic promises to their clients taking into account their firm's capabilities and available resources.

4.2 Study Limitations and Further Research

As with all empirical studies, this study is subject to at least three main limitations. First, although prior to the commencement of this study, efforts were made to use a simple random sampling technique, we were unable to proceed further

due to the major challenge that arose from securing a representative sampling of the target population. The second issue relates to the use of subjective measures of business performance, though extant literature has over time shown that both perceptual measures of business performance and objective measures are strongly correlated (Dess/Robinson 1984; Merchant et al. 2010). Another important limitation of the current study is that the focus of the research is on a single country study which to a certain degree limits the generalizability of the study findings. (Still, our research findings could be juxtaposed with other Eastern European SMEs' studies and/or emerging markets.) All in all, the highlighted limitations provide vistas of opportunities for future studies to explore. For instance, it would be interesting for future studies to engage in cross-country studies in order to further validate the (proposed) enhanced research model. Moreover, to improve the predictive accuracy of the research model, future studies might consider the inclusion of strategic variables such as adaptive capability, brand trust, customer satisfaction, and slack financial resources into the existing model. Also, focusing on a particular industry might be appropriate for the nature of this study. Additionally, measuring SMEs business performance using objective financial measures will go a long way in improving the overall validity of the results in the study.

Overall, the evidence provided in this study could be beneficial to SMEs that are interested in achieving superior marketing outcomes and in turn, good financial returns. Although the current study was carried out in a Balkan country – the Republic of Macedonia, the findings are likely to be applicable to similar economies both within and outside the European continent. To conclude, our empirical analysis has shown that managerial attention and/or resource deployment in these strategic areas – customer retention orientation, brand orientation, and brand consistency are essential recipes for unlocking economic opportunities for SMEs.

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