Social Identity and the Service–Profit Chain

The conventional service–profit chain (SPC) proposes that a firm's financial performance can be improved through a path that connects employee satisfaction, customer orientation, customer satisfaction, and customer loyalty. In this article, a complementary SPC that is built on both a conventional path and a social identity–based path is introduced. The latter SPC path centrally builds on customer– and employee–company identification as a core construct. Using a large-scale triadic data set that includes data from employees, customers, and firms, the authors find strong support for the extended SPC, which accounts for important customer (loyalty and willingness to pay) and firm (financial performance) outcomes. In addition, the effects of company identification exist incrementally beyond the effects of the conventional SPC path.

Keywords: service–profit chain, employee–company identification, customer–company identification, firm financial performance, social identity

A strong focus in contemporary sales and service management has been on the service–profit chain (SPC), which refers to a causal chain linking employee satisfaction to firm financial performance through mediating constructs such as customer satisfaction and customer loyalty (Anderson and Mittal 2000; Heskett et al. 1994; Heskett, Sasser, and Schlesinger 2003; Loveman 1998). According to Heskett and colleagues (1994) and Heskett, Sasser, and Schlesinger (2003), internal service quality leads to employee satisfaction, which then drives employee loyalty and productivity. In turn, employee productivity drives value, which is the basis for customer satisfaction. Customer satisfaction then determines customer loyalty, which leads to profitability and growth. This conventional SPC logic stands as a widely accepted element of current management wisdom, especially in contexts in which employee–customer interaction occurs. As Rucci, Kirn, and Quinn (1998, p. 84) note, “The basic elements of an employee–customer–profit model are not difficult to grasp. Any person with even a little experience … understands intuitively that there is a chain of cause and effect running from employee behavior to customer behavior to profits.” As we detail subsequently, a considerable amount of academic research has examined specific links in this SPC as well as the entire chain (Kamakura et al. 2002; Loveman 1998). Many of these studies find support for the proposed chain linkages. However, not all the academic research on the conventional SPC has been positive. Some studies report either small effect sizes or nonsignificant effects (e.g., Brown and Chin 2004; Brown and Mitchell 1993; Herrington and Lomax 1999; Szymanski and Henard 2001). Thus, despite the widespread appeal and interest in the conventional SPC, further research is needed.

Moreover, from a practical perspective, there are some implementation problems related to the conventional SPC. These are mainly related to the construct of customer satisfaction, which, as we mentioned previously, stands at the heart of the conventional SPC. Although the fundamental role of customer satisfaction remains undisputed, a permanent increase in customer satisfaction is becoming increasingly difficult to achieve, and therefore firms are searching for alternative ways to raise customers’ loyalty.

A key reason for this centers on customer expectations. According to the most common view, satisfaction results from a comparison of expectations with performance (e.g., Bearden and Teal 1983; Oliver 1980; Oliver and DeSarbo 1988). If performance meets expectations, the customer is satisfied; if not, dissatisfaction results. Thus, a core assumption is that by improving performance, firms can also increase satisfaction. A problem with this view is that performance at Time 1 sets the expectations for Time 2 (Bolton and Drew 1991a; Boulding et al. 1993; Mittal, Kumar, and Tsiros 1999). This is illustrated by the following quotation from the industry: “Customers expect what they are now receiving, and in a sense, they keep upping the ante” (Horowitz 2005, p. 38). As a result, it is becoming increasingly difficult to meet or exceed customer expectations. Indeed, some authors have even proposed the need to go beyond customer satisfaction to "delight" customers (Oliver, Rust, and Varki 1997; Rust and Oliver 2000). Unfortunately, this usually requires a considerable amount of effort and investment in financial resources, and it is not clear whether the performance outcomes justify this investment.
The natural limits of customer satisfaction management lead to the question whether there are additional ways to foster strong customer–company bonds to improve financial performance (Ahearne, Bhattacharya, and Gruen 2005). Representing this view, Bhattacharya and Sen (2003, p. 76) aptly state, “In their quest for sustained success in a marketplace,... more and more companies are attempting to build deep, meaningful, long-term relationships with their customers.”

Consistent with this view, we propose and test a complementary SPC, which is built on social identity theory (Tajfel and Turner 1986). The two additional constructs in this SPC are customer– and employee–company identification, which involve the degree to which customers and employees, respectively, identify with a company to fulfill self-definitional needs and the resultant motional reactions to this identification (e.g., Ahearne, Bhattacharya, and Gruen 2005; Bhattacharya and Sen 2003; Mael and Ashforth 1992; Reed 2002). Accordingly, customer–company identification represents a different aspect of the customer–firm relationship than the classic customer satisfaction construct. Because of the self-definitional and emotional components of customer–company identification, we propose that it is an additional driver (along with customer satisfaction) of a firm’s customer outcomes (e.g., loyalty, willingness to pay) and financial performance. Similarly, we propose that employee–company identification may be a powerful predictor of relevant outcomes in addition to job satisfaction.

We propose that the two SPC paths (i.e., conventional and the social identity–based paths) are complementary. In other words, we argue that firms that successfully manage both SPC paths tend to perform better than firms that are successful in only managing either the satisfaction or the social identity–based path. Thus, we argue in favor of an extended model that includes both the “old” and the “new” SPC paths.

In this study, we test the extended SPC using a large-scale triadic data set. This set includes matched responses from 258 employees and 597 customers of 109 travel agencies, as well as secondary data on the financial performance of the travel agencies.

This study has two important assets that are different from most previous studies on SPC issues. First, we tested both the social identity–based SPC and the conventional, satisfaction-based SPC paths simultaneously. This method addresses calls for comprehensive approaches for modeling the (conventional) SPC because “most studies have only focused on discrete aspects of the SPC” (Kamakura et al. 2002, p. 294).

Second, we collected data from employees, customers, and firms. Previous research has indicated that this is important in relating service aspects to customer variables (Loveman 1998; Schneider, Parkington, and Buxton 1980). It is also in line with recent calls to connect individual customer data with data of employees and the firm (e.g., Payne and Webber 2006) because previous research is mostly based on aggregate or single-level analyses.

This study has important academic implications because the customer– and employee–company identification constructs have received little research attention in marketing. Despite this, these are important constructs because they represent alternative potential means of developing a strong bond with customers, an issue that has recently been of great relevance and importance in academic marketing theory and research. In addition, our study should help researchers broaden their perspective on the SPC by developing an additional, social identity–based SPC logic.

For practitioners, the social identity–based SPC extension has important managerial implications because it offers an additional way to influence firm profits relative to the conventional SPC. Compared with the management of a satisfaction-based SPC, the management of social identification requires a largely different approach.

Overview of Framework

We present our research framework in Figure 1. This framework incorporates two paths to firm financial success. The upper part of the framework presents the conventional, satisfaction-based SPC (job satisfaction → customer satisfaction → customer outcomes [e.g., loyalty, willingness to pay] → firm financial performance), and the lower part depicts the complementary, social identity–based SPC (employee–company identification → customer–company identification → customer outcomes [e.g., loyalty, willingness to pay] → firm financial performance). Both paths have a commonality in the construct of customer orientation, which mediates between employee and customer variables. We include this construct because recent studies on the conventional SPC have found that customer orientation mediates between job satisfaction and customer satisfaction (e.g., Homberg and Stock 2004).

In what follows, we briefly describe the constructs of the conventional SPC and summarize the related research on SPC linkages. However, because the linkages of this chain are well known in the literature, we do not develop explicit hypotheses for them. We then introduce in greater detail the theoretical foundation for the social identity–based SPC and derive specific hypotheses with respect to the linkages among employee–company identification, customer orientation, customer–company identification, and firm financial performance.

The Satisfaction-Based Path of the SPC

As we mentioned previously, the key constructs in the conventional SPC part are employee job satisfaction, customer orientation, customer satisfaction, and customer loyalty. Employee job satisfaction is defined as a positive attitude, which results from a person’s positive evaluation of his or her job experiences (e.g., Brown and Peterson 1993; Homberg and Stock 2004; Locke 1976). Customer orientation “refers to the employee’s behaviors that are geared toward satisfying customers’ needs adequately” (Stock and Hoyer 2005, p. 536). Customer satisfaction occurs when the performance of a product or service meets the customer’s expectations (e.g., Bearden and Teal 1983; Oliver 1980; Oliver and DeSarbo 1988). Finally, customer loyalty is “a
FIGURE 1
The Extended SPC
Research on SPC represents an intersection of research in human resources, organizational behavior, and marketing. The initial part of the chain deals largely with human resource issues. In other words, for employees to deliver high levels of service, it is critical that companies pay attention to issues such as employee selection, training, and support. In doing so, they create higher levels of employee satisfaction, which in turn leads to higher employee loyalty (Schlesinger and Heskett 1991a, b). Snipes and colleagues (2005) find that job satisfaction also has a significant, positive impact on internal service quality. Similarly, according to Hartline and Ferrell (1996), employee job satisfaction is necessary to produce customer perceptions of service quality.

There is also evidence for the employee satisfaction–customer satisfaction link. This effect has been demonstrated in the insurance (Schlesinger and Zornitsky 1991) and banking (Rucci, Kirn, and Quinn 1998; Schneider and Bowen 1985; Schneider, Parkington, and Buxton 1980) industries.

Considerable support for the link between customer satisfaction and customer loyalty can be found across various areas. A multi-industry study by Zeithaml, Berry, and Parasuraman (1996) finds strong evidence for the link between service quality and several behaviors related to customer loyalty, including customer retention and willingness to pay. Research on the Swedish Customer Satisfaction Barometer and the American Customer Satisfaction Index has found a strong link to loyalty in both cases (Fornell 1992; Fornell et al. 1996). Other studies have provided similar support (see, e.g., Anderson and Sullivan 1993; Bearden and Teel 1983; Bolton and Drew 1991a, b; Boulding et al. 1993; Fornell 1992; Oliver 1980; Oliver and Swan 1989a, b).

There has also been some evidence that there is a positive relationship between customer satisfaction/loyalty and financial performance. According to Anderson, Fornell, and Lehmann (1994, p. 63), “firms that actually achieve high customer satisfaction also enjoy superior economic returns.” Similar theoretical and empirical support has been provided in other studies (see, e.g., Anderson, Fornell, and Rust 1997; Reichheld and Sasser 1990; Rust and Zahorik 1993). Loveman (1998) provides an empirical examination of the entire conventional SPC and finds support for all the links in the chain. In particular, the strongest links were between internal service quality and employee satisfaction, employee satisfaction/loyalty and customer satisfaction, and customer loyalty and profitability. Harter, Schmidt, and Hayes (2002) also establish the link between employee satisfaction and various outcomes (e.g., customer satisfaction, productivity, profit). In a retail setting, Maxham, Netemeyer, and Lichtenstein (2008) find that employee performance and perceptions influence customer evaluations of the retailer, which in turn affect store performance. Kamakura and colleagues (2002) provide general support for the service chain but note that to increase profitability, firms must be careful to effectively manage both employee inputs and customer perceptions. Schneider and colleagues (2005) find moderate support for a framework that links service-focused leadership to service climate and customer focused behavior, which in turn increases customer satisfaction and unit sales. Finally, Schneider and colleagues (2003) provide evidence that employee satisfaction is causally related to market and financial performance.

In contrast, there are also several studies that do not find empirical support for the proposed linkages in the conventional SPC. According to Schneider (1991), employee and customer attitudes can be related to profits, but they are not always. In a hospital context, Nelson and colleagues (1992) find that important indicators of patient satisfaction (e.g., nursing services) are not correlated with hospital profitability. In a study by Bernhardt, Donthu, and Kennett (2000), customer satisfaction is related to profitability in individual fast-food outlets but not on a national basis. Similarly, Kordupeski, Rust, and Zahorik (1993) point out that not all investments in service quality lead to increased financial returns; these investments must be tied closely to aspects that customers value. Finally, in a test of the SPC, Kamakura and colleagues (2002) find that higher service quality does not guarantee profitability.

Note that the SPC research is related to the research streams on customer equity (e.g., Rust, Lemon, and Zeithaml 2004) and return on quality (e.g., Rust, Moorman, and Dickson 2002; Rust, Zahorik, and Keiningham 1995). In general, these models link both customer perceptions and marketing activities to financial metrics (Kamakura et al. 2002). In addition, Hogan, Lemon, and Rust (2002) note that the SPC-related literature provides a basis for customer equity research. However, customer equity research takes a broader perspective that is not limited to services, addressing the linkage between the entire marketing mix and customer profitability (e.g., Kumar and George 2007). Furthermore, while SPC and return-on-quality models focus on improving firms’ internal service operations for a given customer base, the customer equity model deals with the identification of profitable customers. The return-on-quality concept differentiates itself by explicitly modeling both costs and benefits of quality-related investments, which are not explicitly considered in the SPC framework (Kamakura et al. 2002).

The Social Identity–Based Path of the SPC

The social identity approach involves a theoretical framework that addresses the relationship among self-concept, group, and intergroup phenomena (Bergami and Bagozzi 2000; Haslam 2004). The central assumption of this approach is that group membership contributes to self-definition. That is, people define themselves in terms of...
both unique individualizing attributes and collective attributes of the groups to which they belong.

The main elements of the social identity approach are self-categorization theory (e.g., Turner et al. 1987) and social identity theory (e.g., Tajfel and Turner 1986). Self-categorization theory suggests that human beings have a need to simplify the social world by categorizing people into groups (e.g., occupation, nationality, clubs, social groups). People perceive themselves as belonging to a particular group or category. According to social identity theory, people strive for positive self-esteem and try to accomplish this by enhancing their social identity. As we discuss in greater detail subsequently, this basic motivation leads to several behaviors on behalf of the groups to which a person belongs.

Moreover, identification embodies a significant hedonic element in the sense that group identification directly involves favorable feelings and emotions (Edwards 2005). According to Tajfel (1981, p. 225), self-definition is “that part of the individual’s self-concept which derives from knowledge of his membership of a social group (or groups) together with the value and emotional significance attached to that membership.”

Inherent in the assumptions of self-categorization theory is the idea that a person can have multiple group memberships. For example, a person might identify himself as a male, an American, a supporter of the Boston Red Sox, and an employee of Starbucks. Organizations have often been considered an important group membership for employees (e.g., Haslam 2004). Thus, it is not surprising that the social identity approach has been applied successfully to explain employee behavior (e.g., Riketta 2002; Riketta and Van Dick 2005; Van Dick 2004) and the development of organizational phenomena, such as mergers and acquisitions. Since the seminal work of Ashforth and Mael (1989), many researchers have found employee–company identification to be a predictor of organizational citizenship behavior (Riketta 2005), turnover (Mael and Ashforth 1995), organization-based self-esteem (Bergami and Bagozzi 2000), and work motivation and performance (Van Knippenberg and Sleebos 2006).

Recently, Bhattacharya and Sen (2003) transferred the social identity approach into the customer domain and developed a conceptual framework for customer–company identification. Their core suggestion is that, similar to employees, customers can identify with a company. Furthermore, this group identification can even occur in the absence of formal membership (see Pratt 1998; Reed 2002). In other words, customers’ self-definitional needs can be partially fulfilled by the companies they patronize. For example, users of Apple computers strongly identify with the company, and this identification is related to how they define themselves as individuals. Thus, customer–company identification helps a person clarify his or her self-concept and to gain a positive self-appraisal through a positive company appraisal. As Bhattacharya and Sen (2003, p. 77) note, “in today’s era of unprecedented corporate influence and consumerism, certain companies represent and offer attractive, meaningful social identities to consumers that help them satisfy important self-definitional needs.”

In addition, as with any other type of group identification, there is an emotional component in customer–company identification. Einwiller and colleagues (2006, p. 192) describe the emotional part of customer–company identification as follows: “Strong identification occurs when a company becomes personally relevant for consumers, and personal relevance creates the potential for emotional reactions.”

Note that customer–company identification is different from the construct of customer commitment (e.g., Bansal, Irving, and Taylor 2004; Bettencourt 1997; Garbarino and Johnson 1999; Hennig-Thurau, Gwinner, and Gremmler 2002; Morgan and Hunt 1994). Although some authors perceive a close relationship between commitment and identification (e.g., Miller et al. 2000), there is a consensus that identity and commitment are distinguishable in terms of their essential meaning. The key distinction is that identification includes both a self-definitional and an emotional meaning for a person, while commitment does not reflect the cognitive element of psychological oneness and self-definition that identification does (Ashforth and Mael 1989; Van Knippenberg and Sleebos 2006). There is also mounting empirical evidence that identification and commitment are empirically distinct from each other (e.g., Bergami and Bagozzi 2004; Brown et al. 2005; Van Knippenberg and Sleebos 2006). Meta-analytical evidence shows that these two constructs produce different results with respect to outcome variables (Riketta 2005).

We believe that the social identity concept represents an attractive and promising way to develop a strong bond with customers. On the basis of this assumption, we now derive hypotheses for the linkages of the social identity–based path of the SPC.

**Hypotheses for the Social Identity–Based Path of the SPC**

Employee–company identification → customer–company identification. The first link in the social identity–based part of the SPC is between employee–company identification and customer–company identification. We offer three conceptual explanations to support this link.

First, in the identity-related literature, it has been acknowledged that people’s identification with an organization is based on their perception of its core characteristics (Bhattacharya and Sen 2003; Dutton, Dukerich, and Harquail 1994). In a sense, customer-contact employees are the long arm of a company who transport these core defining characteristics to the customers (i.e., they are the “face” of the organization; Hartline, Maxham, and McKee 2000). Therefore, we adopt Ahearne, Bhattacharya, and Gruen’s (2005, p. 575) view: “Boundary-spanning agents reveal a lot about the quality and character of the company they represent; thus, we posit that identification is likely to be stronger when customers have favorable perceptions of the boundary-spanning agent with whom they interact.” Because employees who identify with the company are prone to act favorably toward the company, a higher level of employee–company identification should lead to a higher level of customer–company identification.
Our second line of reasoning focuses on the concept of prototypicality, which is an integral part of the social identity approach. On the basis of the existing identification literature, it can be argued that (1) employee–company identification leads to employee prototypicality for the company (i.e., prototypical employees capture features that are typical for their own company) and (2) employee prototypicality perceived by customers leads to customer–company identification. Regarding the first part of this argument, social identity theorists have noted that employees who identify strongly with their organization become more prototypical for this group because they are more inclined to conform to its norms and peculiarities. As a result, they more strongly adopt and signal the attitudes, behaviors, and orientations that are specific to this organization (Van Knippenberg and Hogg 2003). The second point, which pertains to the link between employees’ prototypicality and customer–company identification, is suggested by Bhattacharya and Sen (2003) in their conceptual model on constituents and communicators of company identity. Research in social psychology (e.g., Van Knippenberg 2000; Van Knippenberg, Lossie, and Wilke 1994) has confirmed that people are more likely to attend to communications from prototypical group members than from nonprototypical members and are more likely to align their attitudes with the attitudes of prototypical members. A reason for this effect is that prototypical members are more able to communicate clearly the norms of the group or firm because they have a much higher motivation to act in favor of the specific group or firm and to adopt its unique symbols, speech, and behaviors.

Third, emotional contagion may also play an important role. As we stated previously, identification includes a hedonic dimension (Dutton, Dukerich, and Harquail 1994; Tajfel 1981). We expect that employees who identify strongly with the company will express more positive emotions than employees who do not identify with the company. According to the theory of emotional contagion, these emotions are “caught” by the respective customers (either consciously or unconsciously) and, in turn, positively influence their company identification. On the basis of these three lines of reasoning, we put forth the following hypothesis:

H1: The higher the employee–company identification, the higher is the employee–company identification.

Employee–company identification → customer orientation. As we stated previously, identification with a group leads to a deep-lying motivation to enhance the value of the respective group (e.g., Ellemers, De Gilder, and Haslam 2004). In line with previous research, we argue that among other actions (e.g., in-role behavior, organizational citizenship behavior), engaging in customer-orientated behavior can be one way of acting positively toward the organization. In support of this view, employees with a deep-level bond to their organization display a higher level of customer orientation (Hoffman and Ingram 1991; Pettijohn, Pettijohn, and Taylor 2002; Siguaw, Brown, and Widing 1994). Thus, we propose the following:

H2: The higher the employee–company identification, the higher is the customer–company identification.

Employee–company identification → customer–company identification. Through their customer interactions, frontline employees signal the character and identity of their company to the customers (Ahearne, Bhattacharya, and Gruen 2005; Liao and Chuang 2004). Bhattacharya and others have argued that the more favorable the behavior of the frontline employee as perceived by the customer (i.e., in terms of customer orientation), the more likely the customer is to consider the company a target for social identity fulfillment (Ahearne, Bhattacharya, and Gruen 2005; Bhattacharya and Sen 2003). According to Ahearne, Bhattacharya, and Gruen (2005, p. 577), “this is because such interactions make it easier for the customer to retrieve favorable, self-relevant information from memory, which scholars have suggested is an important driver of company identification.” Our reasoning is in accordance with Bhattacharya, Rao, and Glynn (1995, p. 55), who find “that a strong and often distinctive customer orientation is a necessary condition for fostering identification.” Thus, we propose the following:

H3: The higher the employee–customer orientation, the higher is the customer–company identification.

Customer–company identification → customer loyalty and willingness to pay. A key link in the framework is between customer–company identification and customer loyalty and willingness to pay. As we mentioned previously, customers who identify with a company will be motivated to act favorably toward it to raise its status. In line with this reasoning, Bhattacharya and Sen (2003) propose a conceptual framework in which customer–company identification predicts customer loyalty toward a company. In support of this, Ahearne, Bhattacharya, and Gruen (2005) find that customer–company identification is related to beneficial customer outcomes (i.e., product utilization and extrarole behaviors, such as recommendation of the company to friends).

Applying these findings and reasoning to our framework, we propose a positive relationship between customer–company identification and the outcomes of customer loyalty (e.g., repurchase, recommendation) and willingness to pay. With respect to customer loyalty, we argue that customers who identify strongly with the company tend to engage in loyal behavior, such as repurchasing and recommending the company, because of three social identity theory–based reasons. First, being loyal validates and reinforces the feeling of belongingness to the company and thus fulfills a self-definitional need. Second, according to social identity theory, people strive to raise the status of the group to which they belong (in this case, the company). In turn, loyal behavior, such as repeated purchase and positive word-of-mouth communication, can be viewed as ways to help the organization in this respect. Third, as we stated previously, customer–company identification fulfills an emotional need for customers (Ahearne, Bhattacharya, and Gruen 2005; Bhattacharya and Sen 2003). If customers switch to another firm, they will no longer receive this emotional benefit. This should raise their propensity to stay.
loyal to the company with which they identify. Thus, we propose the following:

\[ H_{4a}: \text{The higher the customer–company identification, the higher is the customer loyalty.} \]

Willingness to pay is the maximum amount of money a customer is willing to spend for a product or service or the value he or she assigns to a consumption experience in monetary units (Cameron and James 1987; Homburg, Koschate, and Hoyer 2005; Krishna 1991). Given that customer–company identification serves as a motivator to act on behalf of a group, it should also raise the consumer’s willingness to pay for products or services of the company (Arnett, German, and Hunt 2003). Moreover, because customer–company identification helps a person define him- or herself, this would be of significant value to the customer, and this additional value would be taken into account in terms of the price he or she is willing to pay. Thus, we hypothesize the following:

\[ H_{4b}: \text{The higher the customer–company identification, the higher is the customer willingness to pay.} \]

Customer loyalty \( \rightarrow \) firm financial performance. Customers who are more loyal should buy more from a firm, recommend the firm’s products and services to others, and be more likely to adopt a firm’s new add-on services or new products (Mooredian and Oliver 1997; Rust, Lee, and Valente 1995). In addition, a more loyal customer base leads to reduced costs in future customer transactions and customer acquisition (e.g., costs of customer communications; Reichheld and Sasser 1990; Srivastava, Shervani, and Fahey 1998). Thus, we propose the following:

\[ H_5: \text{The higher the customer loyalty toward a firm, the higher is the firm financial performance.} \]

Customer willingness to pay \( \rightarrow \) firm financial performance. Finally, in our framework, we adopt the accepted notion that customer willingness to pay is an important factor in determining firm financial performance. A customer’s higher willingness to pay implies that firms can charge higher prices. Price is a key element in a firm’s profit equation (Homburg, Koschate, and Hoyer 2005), and even small price differences are of significant importance for firm profit (Garda and Marn 1993). Therefore, customer willingness to pay should be directly linked to firm financial performance. Accordingly, we propose the following:

\[ H_6: \text{The higher the customer willingness to pay, the higher is the firm financial performance.} \]

Control Variables and Moderators

In addition to the proposed main effects of the SPC framework, other variables might moderate these effects. As we depict in Figure 1, we tested for the moderating effect of three variables: the length of customer relationship, employee–customer similarity, and competitive intensity.

Regarding the links between customer satisfaction and customer–company identification and customer loyalty and willingness to pay, we propose that the effects are stronger for customers who have a longer relationship with the firm. In support of this view, Homburg, Koschate, and Hoyer (2005) find that the impact of customer satisfaction on willingness to pay is stronger for cumulative situations (i.e., longer relationships) than for transaction-specific situations (i.e., shorter relationships). In addition, it is likely that the transfer of satisfaction and identification between employees and customers is stronger in cases of longer customer relationships, in which customers know the firm and its employees comparably well.

Employee–customer similarity is of potential importance for the link between employee–company identification and customer–company identification.\(^1\) This is due to a possible “self-selection” process on the part of both employees and customers. The identification literature suggests that choosing a company with which to identify is a selective and volitional act on the part of the consumer or employee (Bhattacharya and Sen 2003; Haslam 2004). Thus, both employees and customers potentially choose to identify with companies that are attractive targets for social identity fulfillment. Thus, demographic or psychographic similarities might be expected to exist between employees and consumers of a certain firm (particularly when there is face-to-face contact). We propose that there is likely to be a stronger transfer of company identification for a similar employee–customer dyad than for a dissimilar employee–customer dyad. In our study, we tested this notion in terms of the age and gender similarity between employees and customers. The unit of analysis for the age and gender discrepancy variable was the customer.

Regarding the impact of customer loyalty and willingness to pay on firm financial performance, we included competitive intensity as a moderator. This is in line with the argument that a firm may perform well when competitive intensity is low, even in the case of low customer loyalty intentions and willingness to pay, because in such cases “customers are stuck with the organization’s products and services” (Jaworski and Kohli 1993, p. 57). In contrast, under conditions with high competitive intensity, customers with low loyalty have many alternative options to satisfy their needs and wants and thus can easily switch to competitors’ products and services (e.g., Houston 1986; Kohli and Jaworski 1990).

Finally, we controlled for the customers’ perceptions of the firm’s quality and store location. Both variables have been proposed to be influential for customer decision making and subsequent firm performance (e.g., Reinartz and Kumar 1999; Rust, Lemon, and Zeithaml 2004).

Methodology

Collection of Triadic Data

To test the proposed linkages of the extended SPC, we conducted a large-scale, quantitative study with German travel agencies. We chose the travel agency context because the high level of employee–customer interaction facilitated the testing of our hypotheses. In addition, because travel agencies are relatively small companies, this context facilitates the investigation of causal effects at the employee, customer, and firm levels.

\(^1\)We thank an anonymous reviewer for making this observation.
An important feature of our study is that it is based on triadic data from frontline employees, customers, and the firm (i.e., firm financial performance). As Figure 1 shows, we collected data on employee job satisfaction and employee–company identification from employees. We gathered data on customer orientation, customer satisfaction, customer–company identification, customer loyalty, and customer willingness to pay from customers, and we collected information on firm financial performance from a secondary data source.

In selecting the travel agencies, we took several steps to ensure that the sample was as balanced as possible. A key issue was to include travel agencies from different locations (e.g., shopping malls, large cities, medium-sized cities, small cities) to control for possible external effects that could systematically bias results in a locally clustered sample.

To achieve the best possible response and matching rates (between employees and customers), questionnaires were personally administered to travel agents by members of the research team. Subsequently, the interviewers spent one day in the respective travel agencies and asked customers for an interview after their interaction with a travel agent. All employees who were at work on the days of the interviews agreed to participate in the study.

The purpose of the study, as presented to both customers and employees, was that “as an independent research institute, we are interested in investigating success factors of travel agencies.” It was also stated that this success depended on both customer- and employee-related factors, and thus both would be covered in the questionnaire.

A key task of the interviewers was to match employee and customer data correctly. This was accomplished using code numbers. With respect to the employee–customer link, interviewers assigned the customers to the respective employee’s code number. The final matched sample consisted of 258 employees and 597 customers (for a response rate of 40.9 %) in 109 travel agencies.

The mean number of customers interviewed per travel agency was 5.5, ranging between 1 and 25 interviews. We checked the robustness of our findings by examining whether the results changed if travel agencies with very few customer interviews (1–3 interviews) or many customer interviews (15–25 interviews) were excluded from the analyses. We found no substantial changes in our results. (The mean number of employees per travel agency in our study was 2.3, ranging from 1 to 12.)

To test for nonresponse bias in the customer sample, all customers who visited the agency during the interview days were offered the chance to participate in a lottery. This lottery was independent of the participation in the interviews. To take part in the lottery, customers needed to provide their contact details. Subsequently, we collected additional data from 70 nonrespondents by contacting them by telephone. There were no significant differences between the respondents in our original sample and the initial nonrespondent sample in terms of the scale means of the customer constructs included in our framework. These results indicate that nonresponse bias is not a major issue with our data.

**Measures**

We drew all scales used for the quantitative study from previous research. To pretest applicability of the scale items used in the study and to understand the motivations behind customer and employee to identify with travel agencies, we conducted 64 in-depth interviews with travel agency customers and 15 travel agents before the quantitative study.

The Appendix provides a complete list of items used in the quantitative study. Table 1 displays the psychometric properties of the measures used in our study.

### Table 1: Psychometric Properties of Measures

<table>
<thead>
<tr>
<th>Variables</th>
<th>M</th>
<th>SD</th>
<th>α</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employee job satisfaction</td>
<td>5.75</td>
<td>.86</td>
<td>.82</td>
<td>.86</td>
<td>.70</td>
</tr>
<tr>
<td>2. Employee–company identification</td>
<td>6.05</td>
<td>.80</td>
<td>.80</td>
<td>.82</td>
<td>.54</td>
</tr>
<tr>
<td>3. Customer orientation</td>
<td>6.46</td>
<td>.72</td>
<td>.89</td>
<td>.89</td>
<td>.63</td>
</tr>
<tr>
<td>4. Customer satisfaction</td>
<td>6.41</td>
<td>.89</td>
<td>.86</td>
<td>.87</td>
<td>.69</td>
</tr>
<tr>
<td>5. Customer–company identification</td>
<td>5.69</td>
<td>1.29</td>
<td>.88</td>
<td>.89</td>
<td>.63</td>
</tr>
<tr>
<td>6. Customer loyalty</td>
<td>6.09</td>
<td>1.28</td>
<td>.88</td>
<td>.89</td>
<td>.73</td>
</tr>
<tr>
<td>7. Customer willingness to pay</td>
<td>37.94</td>
<td>28.55</td>
<td>.78</td>
<td>.91</td>
<td>.71</td>
</tr>
<tr>
<td>8. Firm financial performance</td>
<td>690.9</td>
<td>333.9</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
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</table>

**Controls**

<table>
<thead>
<tr>
<th>Variables</th>
<th>M</th>
<th>SD</th>
<th>α</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Length of customer relationship (in years)</td>
<td>8.45</td>
<td>1.50</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>10. Employee–customer age discrepancy</td>
<td>18.13</td>
<td>11.61</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>11. Employee–customer gender discrepancy</td>
<td>.45</td>
<td>.49</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>12. Competitive intensity</td>
<td>4.61</td>
<td>1.13</td>
<td>.89</td>
<td>.89</td>
<td>.67</td>
</tr>
<tr>
<td>13. Perceived quality of the travel agency: service and comfort</td>
<td>6.39</td>
<td>.51</td>
<td>.88</td>
<td>.88</td>
<td>.58</td>
</tr>
<tr>
<td>14. Perceived quality of the travel agency: price</td>
<td>5.73</td>
<td>.75</td>
<td>.93</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>15. Perceived quality of the travel agency: brands</td>
<td>5.84</td>
<td>.92</td>
<td>.93</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>17. Perceived quality of the travel agency: experience</td>
<td>5.96</td>
<td>.72</td>
<td>.90</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

*We measured firm financial performance through annual sales per employee (in thousands) per travel agency.

Notes: CR = composite reliability, and AVE = average variance extracted.
properties of the measures. Cronbach’s alpha, composite reliability, and average variance extracted for all measurement scales indicate sufficient reliability and convergent validity of our construct operationalizations. More specifically, no coefficient alpha values and composite reliabilities are lower than .70, thus meeting or exceeding the recommended thresholds (Bagosziz and Yi 1988). We assessed the discriminant validity of the construct measures using Fornell and Larcker’s (1981) criterion, which suggests that discriminant validity is supported if the average variance extracted exceeds the squared correlations between all pairs of constructs. All constructs fulfilled this requirement.

To control for multicollinearity, we inspected the variance inflation factors of the variables. The control variables and the antecedents yielded values between 1.0 and 1.9, indicating the absence of serious multicollinearity problems (Kleinbaum et al. 1988).

To measure firm financial performance, we used firms’ annual sales per employee. This index has been used in previous SPC research (Loveman 1998; Schneider et al. 2005). We validated this measure with a profitability measure (Homburg, Hoyer, and Fassnacht 2002) in an extra data collection from a sample of 70 travel agencies. An analysis of the relationship between profit before tax and sales per employee shows a strong correlation of .75 (p < .01). This strongly validates our measure of firm financial performance.

Analytical Approach

The data structure underlying the study comprised three levels: customers (Level 1), employees (Level 2), and firms (Level 3). To take this data structure properly into account, we followed Liao and Chuang’s (2004) suggested two-step approach. First, for top-down linkages between employee and customer variables, we employed hierarchical linear modeling (HLM) (e.g., Kozlowski and Klein 2000; Raudenbush and Bryk 2002). We used an HLM path model to test H1–H4. For these analyses, we used 258 employees and 597 customers. We conducted these analyses using the Mplus software (Version 4.2; Muthén and Muthén 2006) because this program permits the analysis of top-down linkages in multilevel data sets. Moreover, it allows for a simultaneous test of the conventional and social identity–based SPC paths in one HLM path model.

Second, we excluded the hypotheses on bottom-up linkages (from individual customers to aggregated firm financial performance) (H5 and H6) from the HLM path model because HLM models cannot handle such data structures appropriately. Therefore, as Liao and Chuang (2004) suggest, we aggregated the data on customer loyalty and willingness to pay of the 597 customers in the 109 travel agencies before running ordinary least squares regressions with the dependent variable of firm financial performance.

Results

As Figure 1 shows, the HLM path model includes links between the employee and the customer variables as well as links among customer variables. The model also includes correlations between the exogenous variables (employee job satisfaction and employee–company identification) and the error terms of the endogenous variables (customer satisfaction and customer–company identification, as well as customer loyalty and customer willingness to pay). From the global fit of the model (χ²/d.f. = 1.81, comparative fit index = .99, Tucker–Lewis index = .97, and root mean square error of approximation = .04), we can conclude that this model acceptably fits the empirical data.

Table 2 presents the correlations between the key SPC variables. Table 3 provides an overview of the results for the HLM path model and the ordinary least squares models. We find strong support for the social identity–based SPC path. That is, there was a significant effect of employee–company identification on customer–company identification (t = 2.96, p < .01), in support of H1, and on customer orientation (t = 3.89, p < .01), in support of H2. Furthermore, we find that customer orientation is strongly related to customer–company identification (t = 10.22, p < .01), in support of H3, which in turn is significantly related to customer loyalty.
Table 3
Estimated Path Coefficients for the Extended SPC

<table>
<thead>
<tr>
<th>Links of the Satisfaction-Based Part of the SPC</th>
<th>Unstandardized Coefficient (SE)</th>
<th>t-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee job satisfaction → customer satisfaction</td>
<td>.024 (.031)</td>
<td>.79</td>
</tr>
<tr>
<td>Employee job satisfaction → customer orientation</td>
<td>.010 (.030)</td>
<td>.33</td>
</tr>
<tr>
<td>Customer satisfaction → customer orientation</td>
<td>.765 (.063)</td>
<td>12.22**</td>
</tr>
<tr>
<td>Customer satisfaction → customer loyalty</td>
<td>.603 (.084)</td>
<td>7.20**</td>
</tr>
<tr>
<td>Customer satisfaction → customer willingness to pay</td>
<td>.429 (1.390)</td>
<td>.31</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Links of the Social Identity–Based Part of the SPC</th>
<th>Unstandardized Coefficient (SE)</th>
<th>t-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H4a: Employee–company identification → customer–company identification</td>
<td>.123 (.041)</td>
<td>2.96**</td>
</tr>
<tr>
<td>H4b: Employee–company identification → customer orientation</td>
<td>.096 (.025)</td>
<td>3.89**</td>
</tr>
<tr>
<td>H5: Customer orientation → customer–company identification</td>
<td>.786 (.077)</td>
<td>10.22**</td>
</tr>
<tr>
<td>H6a: Customer–company identification → customer loyalty</td>
<td>.398 (.055)</td>
<td>7.22**</td>
</tr>
<tr>
<td>H6b: Customer–company identification → customer willingness to pay</td>
<td>2.739 (1.149)</td>
<td>2.38**</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Links Related to Both SPC Parts*</th>
<th>Unstandardized Coefficient (SE)</th>
<th>t-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H5: Customer loyalty → firm financial performance</td>
<td>28,378.9 (27,285.5)</td>
<td>1.04</td>
</tr>
<tr>
<td>H6: Customer willingness to pay → firm financial performance</td>
<td>2,211.4 (927.8)</td>
<td>2.38**</td>
</tr>
</tbody>
</table>

### Controls

| Perceived quality of the travel agency: service and comfort → firm financial performance | 76,875.4 (43,351.3) | 1.77* |
| Perceived quality of the travel agency: price → firm financial performance | 10,221.6 (23,577.5) | .43 |
| Perceived quality of the travel agency: brands → firm financial performance | 5,122.5 (19,229.1) | .27 |
| Perceived quality of the travel agency: reliability → firm financial performance | 34,505.6 (30,864.1) | 1.12 |
| Perceived quality of the travel agency: experience → firm financial performance | 20,587.4 (24,216.6) | .85 |
| Location: shopping mall → firm financial performance | 65,872.8 (67,460.7) | .98 |
| Location: large city, first-class location → firm financial performance | 128,547.5 (66,312.8) | 1.94* |
| Location: large city, suburb → firm financial performance | −13,624.7 (38,562.6) | −.35 |
| Location: medium-sized city → firm financial performance | −28,750.0 (65,291.4) | −.44 |
| Location: small city → firm financial performance | 31,764.8 (50,524.2) | .63 |
| Location: airport → firm financial performance | 212,068.0 (95,219.8) | 2.23** |

* p < .05 (one-tailed).
* p < .01 (one-tailed).
*Based on ordinary least squares regression.

However, length of a customer relationship significantly moderates the link between customer satisfaction and customer willingness to pay (F = 8.81, p < .01), customer satisfaction and customer loyalty (F = 4.77, p < .01), and customer–company identification and willingness to pay (F = 11.72, p < .01). In all cases, we find a significantly stronger effect for customers with a comparably longer relationship with the firm. This finding is in line with our reasoning for including this variable.

We also examined whether employee–company identification moderates the impact of employee satisfaction on customer orientation and whether customer–company identification moderates the impact of customer satisfaction on customer loyalty and customer willingness to pay. However, we find no such moderation effects.

To test for the links between customer loyalty (H3) and willingness to pay (H6) and firm financial performance, we aggregated the data for customer loyalty and willingness to pay for each travel agency. To justify data aggregation, we calculated rwg, ICC(1), and ICC(2). Within-group agreement (rwg[j]) and intraclass correlation (ICC[1] and ICC[2]) are statistics frequently used to justify aggregation of data to higher levels of analysis (e.g., Bliese 2000; Shrout and Fleiss 1979). While rwg[j] is the most commonly referred
measure of within-group agreement (James 1982), ICC(1) compares the variance between units of analysis (travel agencies) with the variance within units of analysis using the individual ratings of each respondent. The ICC(2) assesses the relative status of between and within variability using the average ratings of respondents within each unit (Schneider, White, and Paul 1998).

The average \( r_{wg} \) coefficients were high for both customer loyalty (.75) and willingness to pay (.81). We then calculated ICC(1) coefficients (.10 for customer loyalty and .13 for willingness to pay) and ICC(2) coefficients (.39 for customer loyalty and .46 for willingness to pay). Although there are no exact standards of acceptability for either ICC(1) or ICC(2), these values fall in the range of previously stated conventions (Gibson and Birkinshaw 2004; Glick 1985; James 1982; Schneider, White, and Paul 1998).

With respect to \( H_5 \) and \( H_6 \), we find mixed evidence. The link between customer willingness to pay and firm financial performance is significant, as expected (\( t = 2.38, p < .01 \)), but the overall effect of customer loyalty is not significant (\( t = 1.04, n.s. \)). However, consistent with previous literature, we find that competitive intensity moderates the effect of customer loyalty. Analyzing the simple slopes of the interaction between customer loyalty and competitive intensity, we find that customer loyalty has a significant, positive effect on firm financial performance only in the case of high competitive intensity (\( F = 8.33, p < .01 \)).

To check the robustness of these effects, we also examined whether the inclusion of customer perceptions of firms’ quality and store location influences these findings. As Table 3 shows, our results are robust to inclusion of these variables.

Furthermore, on a broader level, we conducted model comparisons in which we compared the extended model (consisting of the conventional, “old” SPC and the social identity–based, “new” SPC) with each of the single model paths (Fornell and Rust 1989; Rust, Lee, and Valente 1995). In conducting nested model comparisons, we find that the proposed overall model (old + new) provides a significantly better model fit than either the conventional (old; \( \chi^2 \) difference = 408.0, \( p < .001 \)) or the alternative (new; \( \chi^2 \) difference = 488.6, \( p < .001 \)) SPC. This indicates that the extended model is superior to both single models.

**Discussion**

The point of departure for this study is the desire among researchers and practitioners to move beyond customer satisfaction to find other ways to build more deep-lying bonds between customers and companies (e.g., Ahearne, Bhattacharya, and Gruen 2005; Bhattacharya and Sen 2003). Against this background, we develop an extended SPC that has several important academic and practical implications, particularly in terms of gaining a broader understanding of the SPC.

**Research Issues**

In our study, we find strong support for the proposition that in addition to the conventional, satisfaction-based SPC, social identity–based constructs account for important customer- and firm-level outcomes. Specifically, we provide evidence that employee identification with the company is associated with a stronger customer–company identification. Employee identification is also related to customer orientation, which further reinforces customer–company identification. Importantly, a higher level of customer–company identification increases the customer’s willingness to pay, which in turn improves financial performance. Thus, employee– and customer–company identification appear to represent promising constructs that positively affect firm financial performance. The relevance of these findings is especially high because the results are based on a large-scale triadic data set.

The importance of the identification construct within the SPC can be explained by the core ideas of the social identity approach. According to this approach, employee and customer identification with a company fulfills a deep-lying self-definition need. As previous literature indicates, companies can serve as a potentially important category within the self-concept of both employees (Ashforth and Mael 1989) and customers (Bhattacharya and Sen 2003). Moreover, identification embodies a significant hedonic element in the sense that it directly involves favorable emotions. The positive outcomes of identification within the extended SPC can be explained with the social identity theory tenet that people strive for positive self-esteem and try to accomplish this by enhancing their group membership.

This study makes an important contribution to marketing theory and research because it is among the first to demonstrate empirically a positive role for the social identification construct in developing strong customer relationships, which in turn lead to positive market and financial outcomes. Thus, this construct provides an important avenue for building strong bonds with customers, independent of the traditional focus on customer satisfaction. An important implication of our findings is that the social identity approach deserves more attention in marketing research.

Promising avenues for further research can be derived at both the customer and the employee levels. At the customer level, further research should explore the link between customer–company identification and customer behaviors, such as spreading positive word of mouth, engaging in repurchase and cross-buying, and resisting competitor offerings. Of particular interest in this respect is the incremental explanatory power of customer–company identification beyond the influence of customer satisfaction. In addition, further research should address the knowledge gap pertaining to the role of company identification on the level of customer-contact employees. Because they represent the company to the customer, it would be of value to know more about the role of employee–company identification with respect to constructs such as customer orientation and organizational citizenship behavior.

With regard to the conventional SPC, the results are of great importance because the majority of research in this area has focused on single links within the SPC (e.g., between employee and customer satisfaction) or has relied on single-source data (e.g., letting employees rate both cus-
customer and employee satisfaction). Against this background, our study addresses recent calls for testing several links within the SPC simultaneously (Kamakura et al. 2002) and doing this using multiple data sources (Loveman 1998; Payne and Webber 2006). Our study is an important step in this direction because it is one of the first that tests several links of the SPC by combining data from the sources of employees, customers, and firms.

Note that our findings do not provide support for all links of the classic SPC. Specifically, employee job satisfaction affected neither customer satisfaction nor customer orientation in our study. However, given that we conducted our study within a single industry, researchers should not discount the conventional SPC. Nevertheless, considering that the complementary SPC, which builds on employee– and customer–company identification, has more explanatory power in our study, additional research on both SPC paths is highly needed. The results suggest that when testing the conventional satisfaction-based SPC, it is important to account for other constructs that cover more deep-lying bonds to the company.

The fundamental nature of the identification construct also becomes visible in terms of the customer outcomes. In addition to customer satisfaction effects, customer–company identification has a significant influence on customer loyalty and willingness to pay. In this respect, our results are consistent with the developing view that simply satisfying customers may not be enough to ensure positive financial performance (Oliver, Rust, and Varki 1997; Reichheld 1996; Rust and Oliver 2000). This further suggests that in today’s business environment, constructs other than customer satisfaction are needed to improve financial performance.

Finally, we emphasize that this study is only a first step toward understanding the social identity–based SPC. Further research is needed to explore moderators of the links in this chain (e.g., the link between employee and customer identification). Another important avenue for further research would be to conduct a more detailed analysis of the effects of different identification components (e.g., cognitive, affective, and evaluative identification) using elaborated scales, as suggested by Bergami and Bagozzi (2000), Dholakia, Bagozzi, and Pearo (2004), and Bagozzi and Dholakia (2006).

In addition, research on an expanded SPC that includes manager influences would be a helpful extension of our study. Research is also needed to test the generalizability of our findings to other industries. Furthermore, it would be worthwhile to include the concept of company identification in related concepts, such as the customer equity (e.g., Rust, Lemon, and Zeithaml 2004) or return-on-quality (e.g., Rust, Moorman, and Dickson 2002; Rust, Zahorik, and Keiningham 1995) models.

Managerial Implications

The key managerial implication from our study is that firms should not exclusively rely on customer satisfaction when assessing their relationships with customers. In addition, more deep-lying constructs are helpful in the effort to build strong customer relationships (Bhattacharya and Sen 2003). This study indicates that customer–company identification can be such a construct. Customers can develop a strong identity with the company by incorporating the company identity within their own self-identity and by developing a strong emotional bond with the company. When customers do this, they are willing to pay more, which in turn contributes to firm financial performance.

This leads to several important suggestions for managerial practice. First, to generate customer–company identification, it is important to measure this construct in customer surveys. This measurement effort could serve as an important baseline for improving company performance. It also seems to be important to measure company identification at the frontline employee level. Given that employee identification affects customer identification, firms should permanently monitor the employee identification level and its fluctuations.

Second, firms should actively stimulate customer–company identification. The main instruments in this respect are actions to raise the salience of the company as a group category—for example, by stressing favorable comparisons between the in-group (the focal company) and out-groups (e.g., other companies) and by organizing events that foster a group feeling among employees and customers. Companies could also develop a strong company or brand image or personality that is consistent with the key target segment. In this respect, it is important to understand that managing customer–company identification requires largely different means than the customer satisfaction approach.

Third, similar to customer–company identification, influencing employee–company identification requires a largely distinct approach compared with influencing employee satisfaction. Firms that want to raise employee job satisfaction might follow the widely accepted job characteristics model (Hackman and Oldham 1975) and work on specific aspects, such as skill variety or task significance. Conversely, identity-aimed actions would again focus on group salience, group feeling, and favorable comparisons with other companies. In addition, within personnel selection, it would be of importance to communicate clearly the distinctive characteristics of the company and to hire employees who strongly share its core dimensions. For example, companies that have a strong culture of corporate social responsibility should attempt to attract job applicants who also consider this an important issue.

Appendix Measures

Employee Job Satisfaction (Employees) (Hackman and Oldham 1975)—seven-point scale: "totally disagree" to "totally agree"

1. Generally speaking, I am very satisfied with this job.
2. I am generally satisfied with the kind of work I do in this job.
3. I frequently think of quitting this job. (reverse coded)
Employee–Company Identification (Employees) (Mael and Ashforth 1992)—seven-point scale: “totally disagree” to “totally agree”

1. When someone criticizes this travel agency, it feels like a personal insult.
2. I am very interested in what others think about this travel agency.
3. When I talk about this travel agency, I usually say “we” rather than “they.”
4. This travel agency’s success is my success.
5. When someone praises this travel agency, it feels like a personal compliment.
6. If a story in the media criticized this travel agency, I would feel embarrassed.

Customer Orientation (Customers) (Thomas, Soutar, and Ryan 2001)—seven-point scale: “totally disagree” to “totally agree”

1. The travel agent tries to figure out what a customer’s needs are.
2. The travel agent has the customer’s best interests in mind.
3. The travel agent takes a problem solving approach in selling products or services to customers.
4. The travel agent recommends products or services that are best suited to solving problems.
5. The travel agent tries to find out which kinds of products or services would be most helpful to customers.

Customer–Satisfaction (Customers) (Bettencourt 1997; Bitner and Hubbert 1994)—seven-point scale: “totally disagree” to “totally agree”

1. All in all I am very satisfied with this travel agency.
2. The visits in this travel agency meet my expectations of ideal visits in a travel agency.
3. The performance of this travel agency has fulfilled my expectations.

Customer–Company Identification (Customers) (adapted from Mael and Ashforth 1992)—seven-point scale: “totally disagree” to “totally agree”

1. I strongly identify with this travel agency.
2. I feel good to be a customer of this travel agency.
3. I like to tell that I am a customer of this travel agency.
4. This travel agency fits well to me.
5. I feel attached to this travel agency.

Customer Loyalty (Customers) (Homburg and Giering 2001)—seven-point scale: “very low” to “very high”

1. The likelihood of my booking in this travel agency in the future is …
2. The likelihood of my recommending this travel agency to friends is …
3. The likelihood of my coming back to this travel agency is …

Customer Willingness to Pay (Customers) (Homburg, Koschat, and Hoyer 2005)

1. “Imagine you would have booked a last minute travel to Mallorca for two persons after a consulting service in this travel agency. The duration of the travel is 1 week and includes half-board in a 3-star hotel. The price is 300 euros per person—that is, 600 euros in total. What is the maximum price you are willing to pay for the travel agency service?” 0 euros, 6 euros, 12 euros, 18 euros, 24 euros, 30 euros, 36 euros, 42 euros, 48 euros, 54 euros, 60 euros, 66 euros, 72 euros, 78 euros, 84 euros, 90 euros, 96 euros, 102 euros, 108 euros.
2. “Imagine you would have booked a travel to Gran Canaria for two persons after a consulting service in this travel agency. The duration of the travel is 2 weeks and includes half-board in a 4-star hotel. The price is 1000 euros per person—that is, 2000 euros in total. What is the maximum price you are willing to pay for the travel agency service?” 0 euros, 20 euros, 40 euros, 60 euros, 80 euros, 100 euros, 120 euros, 140 euros, 160 euros, 180 euros, 200 euros, 220 euros, 240 euros, 260 euros, 280 euros, 300 euros, 320 euros, 340 euros, 360 euros.
3. “Imagine you would have booked a return flight from Frankfurt to Rome with Lufthansa after a consulting service in this travel agency. The price is 300 euros (including tax and airport charge). What is the maximum price you are willing to pay for the travel agency service?” 0 euros, 3 euros, 6 euros, 9 euros, 12 euros, 15 euros, 18 euros, 21 euros, 24 euros, 27 euros, 30 euros, 35 euros, 36 euros, 39 euros, 42 euros, 45 euros, 48 euros, 51 euros, 54 euros.
4. “Imagine you would have booked a return flight from Frankfurt to Los Angeles after a consulting service in this travel agency. The price is 1000 euros (including tax and airport charge). What is the maximum price you are willing to pay for the travel agency service?” 0 euros, 10 euros, 20 euros, 30 euros, 40 euros, 50 euros, 60 euros, 70 euros, 80 euros, 90 euros, 100 euros, 110 euros, 120 euros, 130 euros, 140 euros, 150 euros, 160 euros, 170 euros, 180 euros.

Firm Financial Performance (Schneider et al. 2005)

1. Firms’ annual sales was divided by the number of employees per travel agency.
2. Validation of this measure in 70 travel agencies with a profitability measure (Homburg, Hoyer, and Fassnacht 2002).
3. Telephone interviews with sales managers: “What was the profit (before tax) as a percentage of sales (before tax) of your travel agency on average over the last three business years?” (1 = negative, 2 = 0%–.4%, 3 = .5%–.9%, 4 = 1%–1.4%, 5 = 1.5%–1.9%, 6 = 2%–3.9%, 7 = 4% and more).

Control Variables

Length of Customer Relationship (in Years)

Employee–Customer Similarity

1. Absolute employee–customer age discrepancy
2. Absolute employee–customer gender discrepancy

Competitive Intensity (Leading Firm Managers) (Jaworski and Kohli 1993)—seven-point scale: “totally disagree” to “totally agree”

1. Competition in our industry is cutthroat.
2. Our competitors are relatively strong.
3. The competition to travel agencies in our region is immense.
4. We have a strong competition with online competitors.

Perceived Quality of the Travel Agency (Customers)—seven-point scale: “totally disagree” to “totally agree”

“Please rate the following statements with respect to the quality of the travel agency. If I visit this travel agency …”
Service and Comfort
1. I am very comfortable with my travel organization.
2. I can get helpful guidance from the employees.
3. I only need to exert the smallest possible effort.
4. I keep the stress that is connected to travel organization as low as possible.
5. I receive service and guidance from experts.

Price
1. I get low priced offers searched out.
2. I get good value for money.

Brands
1. I can trust to get the products of well-known travel companies.
2. I get branded products of established tour operators.

Reliability
1. I make sure that the booked travel meets my expectations.
2. I make sure to get what I want for my money.

Experience
1. The travel organization is just fun.
2. I have pleasant anticipation of the travel that is coming.

REFERENCES


