Building a Model of Retail Customer Retention: A Value-based Perspective of Market Orientation & Customer Service

By

Shu-Ching Chen
B.B.A., MSc. in Marketing

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School of Commerce
University of Adelaide

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Abstract

The purpose of this thesis is to build a model of performance based on customer value-defined market orientation, and which includes customer service (exchange process) and customer retention (business performance). This thesis examines the nature of market orientation, and its impact on customer satisfaction and customer retention in the service sector. The problems identified from a review of existing major market orientation constructs and the advantage of including customer value in relation to market orientation provide a conceptual basis for incorporating customer value into the market orientation construct.

Narver and Slater's (1990) market orientation construct is used as a basis for the development of this customer value-based market orientation (CVBMO) construct, and an integrated model is proposed. Customer value is defined based on previous theoretical and empirical studies relevant to the current research purpose. In addition, both the firms' and the customers' views are involved into the development of the construct in order to close the gaps identified in past studies and to better reflect the conceptualisation and the real effect of market orientation.

By both qualitative and quantitative methods, this study explores the nature of market orientation and examines the potential of the CVBMO construct to better predict relevant performance indicators such as customer retention. The fieldwork was conducted in a retailing context in Taiwan. A qualitative pilot study was conducted first to identify the possible dimensions/components of the construct from both perspectives of firms and customers. Then, a large-scale fieldwork was conducted for collecting matched response data from firms and customers and testing the proposed model.

By using structural equation modelling, this study confirmed the theoretical assertion of the pivotal role of customer value in market orientation. Significantly, this study empirically supported the proposed model in terms of validity and reliability. Testing the theoretical model supported all a priori hypotheses.

This research therefore contributes to the field of Marketing by conceptualising a customer value defined market orientation for customer service as having three dimensions, by developing scales to measure these dimensions and, by developing a predictive model of customer retention in a competitive retail industry. In addition, the model of customer retention identified in this thesis provides evidence of the importance of management support for service employees' service performance. Most importantly, it indicates that service providers should attempt to manage customer satisfaction and perceptions of value as they are directly related to customer retention.

Keywords: market orientation, customer value, customer retention, dyads, retail