



# Customer Orientation of Service Employees: A Phantom Model Approach

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## ABSTRACT

**Purpose:** *The purpose of this study is to analyze Customer Retention as a result of Customer Service Employees. It helps to study the attitude of the customers and analyze the factors that are held important by the customers towards achievement of their satisfaction.*

**Methodology:** *CFA and Path Analysis have been used to analyze the data collected from young telecom users. Data has been collected using convenience sampling from young telecom consumers using self-administered questionnaire.*

**Findings:** *The results indicate that there is a significant relationship between Customer Orientation of Service Employees and Customer Retention, Customer Satisfaction and Emotional Commitment. It is also analyzed that there Customer Satisfaction and Emotional Commitment mediates the effect between Customer Orientation of Service Employees (COSE) and Customer Retention.*

**Practical Implications:** *This study contributes in a number of ways. First it provides an understanding regarding the relationship of Service Employees and Customer Retention. Secondly it helps to analyze the criteria that need to be used so as to increase customer satisfaction and their involvement in the organization; thirdly it provides empirical evidence of the work and theory laid by Hennig-Thurau, 2004.*

**Keywords:** Customer Orientation of Service Employees, COSE, Customer Satisfaction, Customer Retention, Emotional Commitment, Telecommunication Industry.

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## **2.CONCEPTUALIZING CUSTOMER ORIENTATION OF SERVICE EMPLOYEES – COSE**

The evolution of marketing concept within service industry is a result of employee interaction with their customers (Gazzoli and Hancer, 2013). Customer orientation being an individual level construct plays a vital role in in determination of organization ability to be market-oriented (Brown et al., 2002; Gazzoli and Hancer; 2013).Service employees with more focus on customer orientation spend more time on satisfaction of customer needs which helps in developing more beneficial long term relationship with the customers (Kelley, 1992; Kotler, 1980). Customer Orientation at individual level is defined by two aspects; behavioral level and self-personality trait level (Saxe and Weitz, 1982; Hennig-Thurau and Thurau, 2003).

Saxe and Weitz (1982) have studied Customer Orientation based on behavioral level; selling orientated and customer oriented SOCO Scale. Hennig-Thurau and Thurau (2003) have studied COSE as a three dimensional construct customer-oriented skills; motivation to serve customers; self-perceived decision making authority. Based on the prior work done Hennig-Thurau (2004) has developed a new COSE construct which is based on four dimensions; technical skills, social skills, motivation, self-perceived decision making authority, as shown in Figure - 1. COSE has been elaborated as degree to which the employee's behavior in individual connections with customers meets those customers' needs (Henning-Thurau, 2004). All four dimensions of COSE are interlinked with each other to an extent which enables the employees to perform in a way which helps towards customer satisfaction. Technical skills are described as the knowledge and expertise withheld with the service employees to understand and solve the problems of the customers during the interaction being carried out (Argyle, 1967). These skills are important for need fulfillment of the customer during the interaction being taken place.

Social skills are employee's ability to understand and analyze the customer perspective during interaction process (Flavell et al., 1968; Mead, 1934). It is important to study customer requirements and shape the offerings in a way which helps fulfill their needs and creates satisfaction within them. As described by Flavell et al. (1968) there exist three elements with such perspective that includes:

1. Visually – the employees understanding of what customer sees and perceives.
2. Cognitively – understanding what customer thinks.
3. Emotionally – understanding what customer feels.

These three aspects empower the employee to comprehend the customer's requirements and are in this way thought to be essential for need satisfaction. Social skills are demonstrated independently here from Technical skills to reflect sufficiently the distinctive hypothetical starting points and streams of research these two ideas are in light of. It is not necessarily important that the employee who is having high level of social skill also has high level of technical skills to exhibit such behavior that is important to perform in customer-oriented manner (Hennig-Thurau, 2004).

Employee's motivation towards serving customers consists of three elements, which are: a positive relationship between customer-oriented behavior and associated relationship between the behaviors as part of employees, self-perception of the employees to have skills so as to perform according to customer needs (Vroom, 1967), and employees expectation of reaching on employees desired outcome through engagement in such behavior(Hennig-Thurau, 2004). Motivation is an incumbent tool for transforming social and technical skills of employees into customer-oriented activities (Hennig-Thurau, 2004).

Self-decision making authority as discussed in different researches is related to empowering employees to take decisions based on analysis of customer needs and creation of customer satisfaction (Bowen and Lawler, 1995; Spreitzer, 1995). It emphasizes on the level of authority given to the employees to take decisions on customer related concerns and matters (See Figure-1 in appendix).

### **3. LITERATURE REVIEW**

Services being intangible, inseparable and interactive in nature (Hennig-Thurau, 2004) is consumed and evaluated by the consumers in the presence of service employees (Teng and Barrows, 2009). Therefore service quality not only plays an important role in the decision making process by the customer but the interaction between service employees and customers also effect the evaluation process (Gazzoli and Hancer, 2013).Service orientation as defined by Goleman (1998) is defined as anticipation and fulfillment of customer's needs. Service orientation has been studied at two levels:

1. Service orientation as a personality Trait (Hogan et al., 1984; McBride et al., 1997).
2. What employees do and how they perform in service industry (Jayawardhena and Farrell, 2011).

#### **3.1 Customer Orientation of Service Employees – COSE**

Customer Orientation refers to understanding and fulfillment of customer needs during a transaction taken place, whereas service orientation goes beyond the framework of it as it also incorporates after sales service and assistance provided to the customers after the transaction taken place (Popli and Rizvi, 2015). Literature defines the sales-orientated service person focusing on making numbers while a customer orientated sales person focuses on maximization of customer satisfaction. The attitude developed by a customer orientated sales person helps in understanding customer's perspective which in turn helps to increase profit of the company. He not only works sincerely with

the customer but also assists in need fulfillment (Colwell et al., 2009). A customer creates a strong belief that the service employees foster hard work to develop their interest, therefore it becomes important to develop attitude and behavior which helps in attracting customer towards the business. Understanding customer need helps in development of customized offering for the customer and can easily recommend products and services. Organizational psychologists state that those employees who are having strong bonds with the organization are more likely to develop deeper bond with the customers due to familiarity with the organizational working procedures (Sluss and Ashforth, 2008). Researchers also assert on the learning that rendering high level of responsibility by the employees towards the customer is a key towards organizational success (Ahearne et al., 2005). Customer identification is not only an important element towards increasing job engagement among frontline employees but it also helps in development of employee organizational identification and employee satisfaction (Anaza and Rutherford, 2012).

Brady and Conin (2001) identifies that employee's attitude, their behavior and expertise are the key attributes to define perception of the customer regarding the service quality. Customer satisfaction and customer retention is achieved through employee's quality relationship developed by the customer (Gazzoli and Hancer, 2013). For example a service employee who:

1. Anticipates and understands the needs of the customer.
2. Nurtures the customer.
3. Delivers service on time.
4. Tries to know the customer personally through utilization of their social skills.

The support and encouragement received by the employees by their supervisor and higher management helps in deliverance of high quality service (Karatepe et al., 2008). Training provided to the employees facilitates to enhance the technical skills of the employees for resolution of customer complaints and queries (Tsaor and Lin, 2001; Karatepe et al., 2008).

Training projects supported by an organization can enhance representatives' undertaking related and behavioral aptitudes; improve their capacity to manage shifting client needs, identities and circumstances viably (Babakus, 2010). Employees who get preparing get to be more skilled and roused, and give larger amounts of administration. In contrast, employees who don't have the imperative occupation and interpersonal aptitudes neglect to give palatable administration and can't manage client requests and grievances viably (Boshoff and Allen, 2000).

Empowerment provides with the service employees authority and responsibility to take decisions without following a long chain of command (Babakus et al., 2003; Karatepe et al., 2008). Providing decision making authority to the employees helps the employees to become flexible and get closer to the customers as it enables employees

for provision of timely responses.

### **3.2 Employee Motivation and their Engagement**

Motivated Employees are highly engaged in the activities they perform at work, this is due to Organizational Commitment and Organizational Citizenship Behavior (Popli and Rizvi, 2015). Motivation deals with employee commitment towards workplace; it shows how much an employee is aware regarding organizational culture and what is the behavior that needs to be exhibited during the responsibilities being carried out at workplace (Popli and Rizvi, 2015). For employees to show job commitment three elements are compulsory; availability, safety at workplace and meaningfulness of job being performed (Kahn, 1990; Popli and Rizvi, 2015). During work task completion engagement refers to active use of emotions and cognitive behavior (May et al., 2004; Popli and Rizvi, 2015). Three levels of engagement have been described by Meere (2005):

1. Employees who work with passion, those who feel themselves an integral part of the organization and think innovatively for the organization.
2. Those who attend work and fulfill their responsibilities only during their working hour but don't feel themselves as part of the organization.
3. Those who are unhappy at work and show unhappiness in performing duties and tasks.

Employees receiving more support from their coworkers obtain more job resources which facilitates them to deal effectively with stressful and difficult customers (Bakker et al., 2005; Tsai et al., 2007). This support not only helps employees to meet and solve customer related problems and concerns but also to be persistent in their daily work activities (Liaw et al., 2010). A highly engaged employee not only contributes positively towards the organization but organizational success is also dependent on them (Saks, 2006). There exists a positive relationship between employee engagement and organizational success. Highly motivated and engaged employees facilitate the industrial growth process and help in increasing organizational growth (Markos and Sridevi, 2010).

### **3.3 Social Skills and Customer Interaction**

Sales person's characteristics have been analyzed on two different dimensions; one which involves alteration of sales behavior during customer interaction and other and second marketing services based on the conceptual level of the one perceiving it. These two approaches help in developing long-term customer relationship as it creates a tool to tailor messages according to an individual's needs and perception (Franke and

Park, 2006).

Service outcomes are improved by the friendly attitude and behavior of the customer service personnel (Sabiote and Roman, 2009). Friendly behavior includes; familiarity, frankness, trustworthiness, politeness, caring and understanding customer needs. A customer feels insulted if not treated with love and respect; a customer evaluates its satisfaction level on the basis of respect he/she receives. A courteous service provider is researched out to be a powerful signal of service quality (Sabiote and Roman, 2009). Previous researches indicate that as the length of the relationship with the customer service increases aspects of interaction becomes less important for the customer.

The key aspect that develops social construct comprises of: 1) taking interest in customer's interest, 2) developing a feeling within the customer that he/she is important, 3) giving respect to customer, 4) being courteous and polite with the customer and 5) exhibiting a genuine and truthful behavior (Sabiote and Roman, 2009).

### **3.4 Customer Commitment**

Customer commitment and repurchase behavior are highly important for the service organization as their growth and profitability is dependent on it (Palmatier et al., 2006). Customer's decision to purchase, re-purchase is dependent on the quality of service, satisfaction from the service and trust that has been developed on the supplier (Carrillat et al., 2009). Nevertheless, economic and non-economic factors are also at times considered as factors that affect the decision making criteria of the customer (Valenzuela et al., 2010). Suppliers who exhibit ethical behavior have favorable reputation in the market and their service offerings are also seen and analyzed favorably, customers are more likely to be associated with such service providers for a greater period of time (Ahearne et al., 2005). Studies have revealed that ethical behavior and reputation of the service providers helps in creation of trust among the customers which in turn leads to satisfaction and customer commitment (Henning-Thurau, 2004; Huang, 2008).

Customer oriented firms put effort on taking care of customer needs. They constantly monitor the change in customer requirements and also the changing market trend and practices (Valenzuela et al., 2010), so that they can adapt themselves towards the changing patterns and trends (Min et al., 2007). The attitude adopted by the service provider's result in better relationship quality and positive word of mouth (Macintosh, 2007), there exist a strong relationship between customer orientation and customer commitment (Homburg et al., 2009; Huang, 2008).

### **3.5 Customer Satisfaction**

Customer satisfaction has been subject of attention because of consumer behavioral intention and customer retention (Dholakia and Zhao, 2010; Cronin et al.,

2000). Cultivation of relationship with the customers has thought to increase customer satisfaction (Kim, 2009). Long-term connections add additional qualities to customers' administration utilization and consequently add to client fulfillment (Kim, 2009). There exists a positive relationship between customer perceived value and customer satisfaction (Jayawardhena and Farrell, 2011). Three antecedents of customer satisfaction have been discussed: perceived value, perceived quality and customer expectation (Jayawardhena and Farrell, 2011). Perceived value is considered either pre or post purchase (Eggert and Ulaga, 2002). The customer not only compares the cost of the service with the benefits he/she receives but also may not want to avail the service if the perceived quality is low (Eggert and Ulaga, 2002).

Word of mouth which is defined as an informal communication among consumers regarding ownership, characteristics and usage of products and services is an important marketing tool for the service industry, as it involves high level of risk and difficulty in evaluation process (Sabiote and Roman, 2009).

### **3.6 Customer Retention**

Customer retention is termed as customer's continuation with the firm (Keningham, 2007). Customer retention is an elementary element towards firm's profitability (Keningham, 2007). It has been an important element of study since 1990's (Ang and Buttle, 2006), as marketing department of firms feel that it is more important to retain prior customer than attracting new ones (Coyles and Gokey, 2005), as more cost and energy is required in attracting new customers than retaining old ones (Aydin and Ozer, 2005; Keningham, 2007). Customer retention has been a burning concern today as it facilitates organizations to reach its objectives and goals, through creation of delightedness a customer retains with the organization service for a greater period of time (Gee et al., 2008). Organizations who are aware regarding the importance of customer retention invest towards them even from their profits as they in return give long term benefits and profits to the organization (Ang and Buttle, 2006). There are many aspects that influence customer retention but development of trust is more important for an organization to be built (Sarwar et al., 2012).

## **4. CRITICAL OVERVIEW OF LITERATURE**

In today's competitive market there can be few organizations who don't strive to be client centered, and even less who don't perceive how critical workers are in conveying this. Strong associations are created by providing best quality service and fulfilling the promises made to the client. An organization that provides greater level of customer service demonstrates three functions; understanding customer's expectation, monitoring of competitor service performance level and ensuring delivery of superior quality service to their valued customers. According to the social exchange theory it is argued that increase in customer's perceived value, through provision of benefits

nurtures customer loyalty and retention. It is hoped that the loyal customer benefits the organization by spreading a positive word of mouth and being a source for attracting prospect clients.

Service organizations should begin to think the role their employees play towards customer satisfaction which facilitates towards customer retention. This helps in achievement of competitive advantage for the service providing organization. Receiving recognition and support from the organization and upper management not only leads towards job satisfaction but also helps in creation of customer oriented culture, as delighted employees result in delighted customers. Loyal customers are regarded as cornerstone for any organization and employees are the ones who help in retention of those customers. Organizational growth and profitability is dependent on the life-time a customer spends with the organization and the word of mouth they spread regarding the experience they have enjoyed with the service provider. An organizational culture that fosters favorable service climate leads to behaviors and attitudes within employees that creates higher value and provide better and favorable results.

Within Pakistani industry little attention has been paid on how within an organization customer orientation can be disseminated. For any organization the integral element that results in productivity is how much profitable that organization is and the life span it has in the given industry. An engaged employee puts all the efforts towards organizational success and productivity. An engaged employee though not part of his specific job responsibility goes beyond his borders to resolve customers concerns and queries, or arranges for another subordinate who can help the customer in resolution of their queries and concerns. They not only do a better job towards servicing people but go beyond their responsibilities and perform an active role towards fulfillment of customer needs.

Therefore within Pakistani context, it is important to analyze the factors that facilitates in empowering the employees so that the exhibit behaviors and attitudes favorable towards organizational success and growth. This research will help to study and analyze the factors that impact towards customer retention as it is becoming an important concern for marketers today. The focus of this research is inclined towards the perception of the customers regarding the attitudes and behavior of the service providing employees. What do they think and feel regarding the delivery and quality of service they receive and how do they evaluate these employees. It will put light on the strategies which an organization should develop and focus on for grooming customer oriented employees so as to achieve organizational success.

## **5. HYPOTHESIZED MODEL**

Figure .2 indicates the hypothesized model along with the paths under study in the given paper. It provides and analysis and study pattern of the variables under study (See Figure-2 in appendix):



H1: COSE has a significant impact on Customer Satisfaction.

H1a: Customer Satisfaction mediates the relationship between COSE and Customer Retention.

H2: COSE has a significant impact on Emotional Commitment.

H2a: Emotional Commitment mediates the relationship between COSE and Customer Retention.

H3: COSE has a significant impact on Customer Retention.

H4: Customer Satisfaction has a significant impact on Customer Retention.

H5: Emotional Commitment has a significant impact on Customer Retention.

H6: Customer Satisfaction has a significant impact on emotional commitment.

## **6 RESEARCH METHDODOLOGY**

### **6.1 Sampling and Data Collection Methodology**

A sample of 258 respondents was collected for the study. Convenience sampling has been adopted for data collection and the respondents comprise of young customers of Mobile Service providers. Data has been collected both through offline and online medium using self-administered questionnaire, presented in Table - 4.

### **6.2 Measures**

The questionnaire comprised of 7 variables, namely: Social Skills, Motivation, Technical Skills, Decision Making Authority, Customer Retention, Customer Satisfaction and Emotional Commitment.

### **6.3 Customer Orientation of Service Employees – COSE**

COSE termed as Customer Orientation of Service Employees comprises of four dimensions: Social Skills, Technical Skills, Decision Making Authority and Motivation. The items have been extracted from Hennig-Thurau, 2004. Sample items include: “The employees of the mobile network have a high level of knowledge” (Technical Skills), “The employees of the mobile network have extensive social skills” (Social Skills), “The employees of the mobile network show strong commitment to their job” (Motivation) and “The employees of the mobile network are allowed to decide autonomously in customer matters” (Decision Making Authority). The items have been measured on a Likert Scale of 1 – 5 from Strongly Disagree to Strongly Agree.

### **6.4 Customer Satisfaction**

The items of Customer Satisfaction have been adopted from Hennig-Thurau, 2004. Sample items include “I am fully satisfied with the mobile network”. The items have been measured through a five point Likert Scale from 1 = Strongly Disagree to 5 = Strongly Agree.

## **6.5 Emotional Commitment**

The items of Emotional Commitment have been adopted from Hennig-Thurau, 2004. Sample items include “If the network is use were no longer to exist, this would be a significant loss for me”. The items have been measured through a five point Likert Scale from 1 = Strongly Disagree to 5 = Strongly Agree.

## **6.6 Customer Retention**

The items of Customer Retention have been adopted from Hennig-Thurau, 2004. Sample items include “The mobile network I use is my first choice when it comes to buying a new SIM”. The items have been measured through a five point Likert Scale from 1 = Strongly Disagree to 5 = Strongly Agree.

## **7. DESCRIPTIVE STATISTICS AND TESTING THE ASSUMPTIONS OF MULTIVARIATE ANALYSIS**

Data analysis has been carried out through SPSS 21 and AMOS 21 software. Sample size of the study conducted is N=258. Multivariate outliers were removed using Mahalanobis Technique. After removing the multivariate outliers the sample size of the study is N=245. Table – 1 elaborates the demographics and the composition of the data used in the study. Before carrying out the data analysis assumptions of SEM were checked; sample size, normality within the variables, outliers, scales of the variables and multicollinearity (Hair et al., 2005; Fotopulos and Psomas 2009), the Cronbach value of the instrument used is calculated to be 0.905 which meets the desired requirements. According to Hair et al., (2005) for a study the adequate sample size is 50 to 400 observations; in the given study the sample size is N=245 which is adequate as per the requirement. For analysis of normality the acceptable range of Skewness and Kurtosis is  $\pm 1$ , which indicates a symmetric distribution (Fotopulos and Psomas 2009). Table – 1 indicates that the data is normal as the values lie between desired ranges. Univariate outliers were removed from the data set using mean method; so as to fulfill the assumptions of SEM (See Table-1 in appendix).

## **8. CONFIRMATORY FACTOR ANALYSIS – 2<sup>nd</sup> ORDER**

The measurement model is tested using AMOS 21. The measurement model comprises of 24 items that helps to explain 7 factors namely; Social Skills, Technical Skills, Decision Making Authority, Motivation, Customer Satisfaction, Emotional Commitment and Customer Retention. The measurement model has been tested to evaluate the construct validity and the reliability of the given scales. Composite Reliability has been used as an indicator for construct validity as it helps in measuring the reliability of the overall scale being used. (Fornell&Larcker, 1981; Lin & Lee, 2004;

Molina, Llor\_ens-Montes, & Ruiz-Moreno, 2007). Table – 1 indicates Average Variable Explained for each of the variable used in the model and it indicates that the model is a good fit model. The issue of multicollinearity was also studied and it was analyzed that no issue of multicollinearity exists as all the Pearson r values are below threshold point of 0.90 (Anderson, 2010), as shown in Table – 2 (See Table-2 in APPENDIX).

CFA model which depicts a link between the observed and the unobserved variable (Byrne, 2013) is shown in Figure – 3. For measurement of goodness of fit of the measurement model, four common measures has been used; CMIN/DF as proposed by Byrne (2013), TLI as proposed by Bentler (1990), CFI as proposed by Bagozzi and Yi (1988) and RMSEA as proposed by Browne and Cudeck (1993).

As shown in Table – 3 the CMIN/DF value of our CFA model (1<sup>st</sup> order) is calculated as 1.788, TLI value is 0.907, CFI value is calculated as 0.926 and RMSEA value is measured to be 0.057 which is satisfied cut-off level values described by different authors (See Figure-3 in APPENDIX).

2<sup>nd</sup> Order CFA model, Figure – 4, was developed so as to develop a new latent variable COSE – Customer Orientation of Service Employees, which describes the variables named Social Skills, Technical Skills, Decision Making Authority and Motivation. The model was measured for its goodness of fit, Table – 3, CMIN/DF value is calculated as 1.801, TLI value is 0.906, CFI value is 0.921 and RMSEA value is calculated to be 0.057 (See Table-4 in APPENDIX).

(See Figure-5 in APPENDIX)

## 9. PATH ANALYSIS AND HYPOTHESIS TESTING

Path analysis was carried out to test the significance of hypothesized regression paths, Figure – 5. Byrne (2013) emphasizes that for making the hypothesized part supported the value to C.R should be > that  $\pm 1.96$ . Table – 5 indicates the path coefficient, critical ratio, standard error and significance value of each path; which helps to support the hypothesis (See Table-5 in APPENDIX).

The result indicates that Customer Orientation of Service Employees (COSE) has a positive and significant impact on Website Satisfaction ( $\hat{\alpha}=0.931$ ,  $p < 0.05$ ), Emotional Commitment ( $\hat{\alpha}=0.330$ ,  $p<0.05$ ); and negative but significant impact on Customer Retention ( $\hat{\alpha}=-0.306$ ,  $p<0.05$ ). Hence hypothesis H1, H2 and H3 are supported.

On the other hand the result indicates that Customer Satisfaction has a positive and significant impact on Customer Retention ( $\hat{\alpha}= 0.162$ ,  $p < 0.05$ ), Emotional Commitment has positive and significant impact on Customer Retention ( $\hat{\alpha}= 1.430$ ,

Commitment ( $\hat{\alpha} = 0.367$ ,  $p < 0.05$ ) (See Figure-6 in APPENDIX).

## **10. MULTIPLE MEDIATION ANALYSIS USING PHANTOM MODEL**

For analysis of mediating effect Customer Satisfaction and Emotional Commitment in relation of Customer Orientation of Service Employees (COSE) and Customer Retention, Phantom model has been adopted, Figure – 5. The Phantom Approach is a convenient and powerful method for arbitrary specific effect comparison, testing and estimation of variables within the SEM structure. Table – 6 represents the accumulated result of the Phantom Approach, showing a full mediator influence of Customer Satisfaction and Emotional Commitment on COSE and Customer Satisfaction (See Table-6 in APPENDIX).

Analysis of relationship of Customer Satisfaction and Emotional Commitment on effect of COSE on Customer Retention shows that Customer Satisfaction has non-significant mediating effect on COSE and Customer Retention ( $0.931$ ,  $p > 0.053$ ), whereas Emotional Commitment has a significant mediating relationship on COSE and Customer Retention ( $0.960$ ,  $p < 0.05$ ), Table - 7. The result indicates that the entire mediating effect is due to the presence of Emotional Commitment in the model (See table-7 in APPENDIX).

## **11. DISCUSSION AND CONCLUSION**

The present study has been conducted to analyze the relationship between the Service Employees attitudes, behavior and the authority that is floated towards them on customer satisfaction, their emotional commitment and customer retention. The study carried out within the Telecom sector of Pakistan shows that there exists a strong relationship between service employee's and customer satisfaction, their retention and their emotional commitment.

Customer Orientation of Service Employees has a positive and significant relationship towards customer satisfaction ( $\hat{\alpha} = 0.931$ ,  $p < 0.05$ ), and also with Emotional Commitment ( $\hat{\alpha} = 0.330$ ,  $p < 0.05$ ); which supports the study carried out by Sluss and Ashforth, 2008 & Anaza and Rutherford, 2012. With increase in Customer Satisfaction and Customer's Emotional Commitment, Customer Retention increases positively and with a greater extent, as supported by the study carried out by Ahearne et al., 2005. The findings of this research support the theory developed by Hennig-Thurau, 2004. There exist a positive relationship between the attitude and the authority of the service employees towards satisfaction. With the increase in authority and decision making skills present in these employees the satisfaction ratio of the customer increases which in result helps in increasing the retention ratio of the customers. The growth of service industry is dependent on how the employees interact with the customers, which is in-line with the study carried out by (Gazzoli and Hancer, 2013).

## **12. MANAGERIAL IMPLICATIONS**

This research paper will help Telecom Industry to analyze the factors that support towards customer retention. The Authority that is possessed by the Customer Service employees help them to take quick and prompt decisions which in results helps towards increasing Customer Retention ratio. Telecom Service industry needs to focus more on Service Employees skills and abilities as they are the people who are in direct contact with the end users and they not only help in retaining customers by analysis and timely fulfillment of their needs, but also are a source to attract prospects customers.

As Service Employees are a source of attraction for the customers therefore companies should focus on their training and development and also evaluate their performance so that they can improve their skills and abilities. Benefits also need to be provided to the employees who work wholeheartedly towards achievement of organizational goals and purpose.

Companies need to understand that Customer Retention is a result of Customer Satisfaction and Emotional Commitment of the customers. Therefore strategies need to be developed for increasing customer commitment towards the organization so as to increase organizational profitability.

### **13. RESEARCH LIMITATIONS& FURTHER AREAS OF RESEARCH**

Although the research conducted provides an in-depth analysis of customer's attitude and response towards service employees, hence there still exist certain limitations and further areas of study of the research. This research has been carried out on telecommunication sector; it can be spread and conducted on other industries.

Young consumers have been studied in this research; the sampling frame can be shifted from young consumers towards other consumer group also. Furthermore, analysis can be done on Service employees end so as to analyze the gap that creates a discrepancy between their actual and desired performance.

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**APPENDIX**

Figure .1: Conceptual Model adopted from Hennig-Thurau, 2000

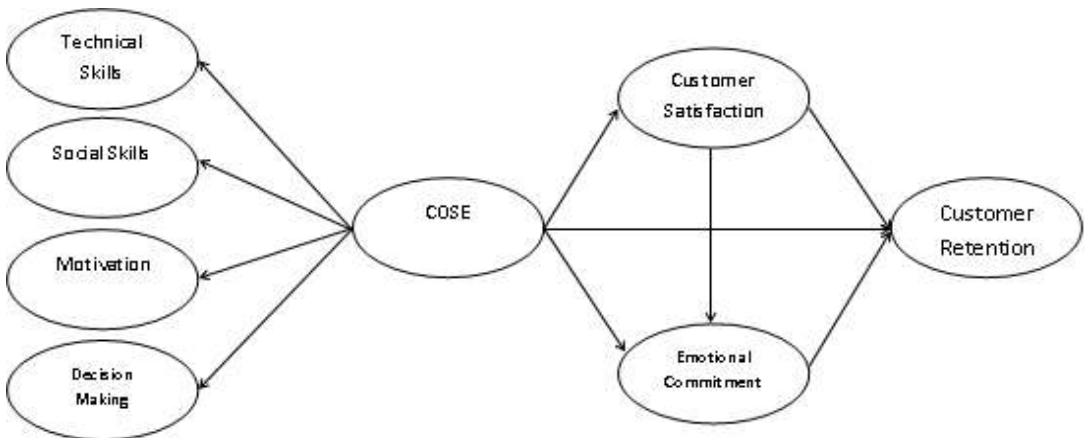
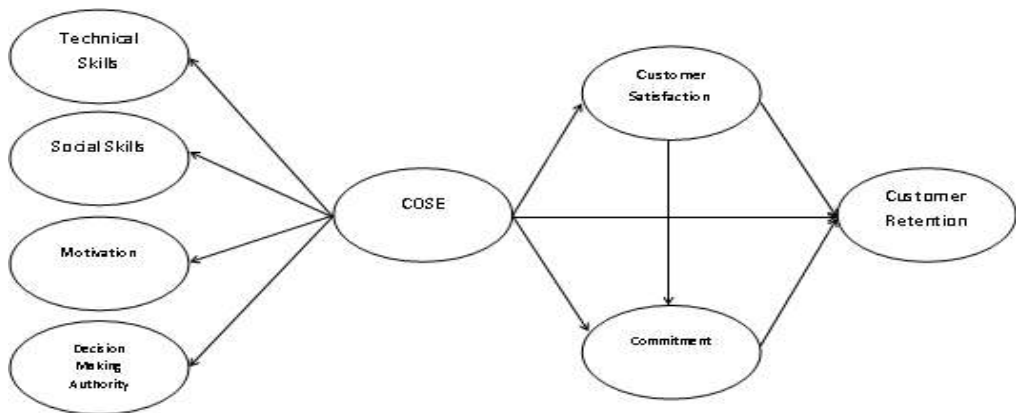


Figure .2: Hypothesized Model

**Gender**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	137	55.9	55.9	55.9
	Female	108	44.1	44.1	100.0
	Total	245	100.0	100.0	

**Age**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	16-18	15	6.1	6.1	6.1
	19-25	214	87.3	87.3	93.5
	26-30	13	5.3	5.3	98.8
	above	3	1.2	1.2	100.0
	Total	245	100.0	100.0	

**Education**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Intermediate	46	18.8	18.8	18.8
	Bachelors	164	66.9	66.9	85.7
	Masters	32	13.1	13.1	98.8
	Others	3	1.2	1.2	100.0
	Total	245	100.0	100.0	

**Occupation**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Student	201	82.0	82.0	82.0
	Employed	28	11.4	11.4	93.5
	Unemployed	16	6.5	6.5	100.0
	Total	245	100.0	100.0	

**Mobile Network in use**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mobilink	19	7.8	7.8	7.8
	Ufone	129	52.7	52.7	60.4
	Warid	23	9.4	9.4	69.8
	Zong	24	9.8	9.8	79.6
	Telenor	50	20.4	20.4	100.0
	Total	245	100.0	100.0	

**Usage Duration**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 1 year	8	3.3	3.3	3.3
	1-2 years	50	20.4	20.4	23.7
	2-3 years	41	16.7	16.7	40.4
	3 years and above	146	59.6	59.6	100.0
	Total	245	100.0	100.0	

Table.1: Descriptive Statistics of Data Set

	COSE	Customer Satisfaction	Emotional Commitment	Customer Retention	Skewness	Kurtosis
COSE	1.000				-0.601	0.335
Customer Satisfaction	.811	1.000			-0.638	0.110
Emotional Commitment	.810	.830	1.000		-0.561	0.585
Customer Retention	.662	.758	.898	1.000	-0.618	0.436

Table.2: Normality and Multi-collinearity Diagnostics

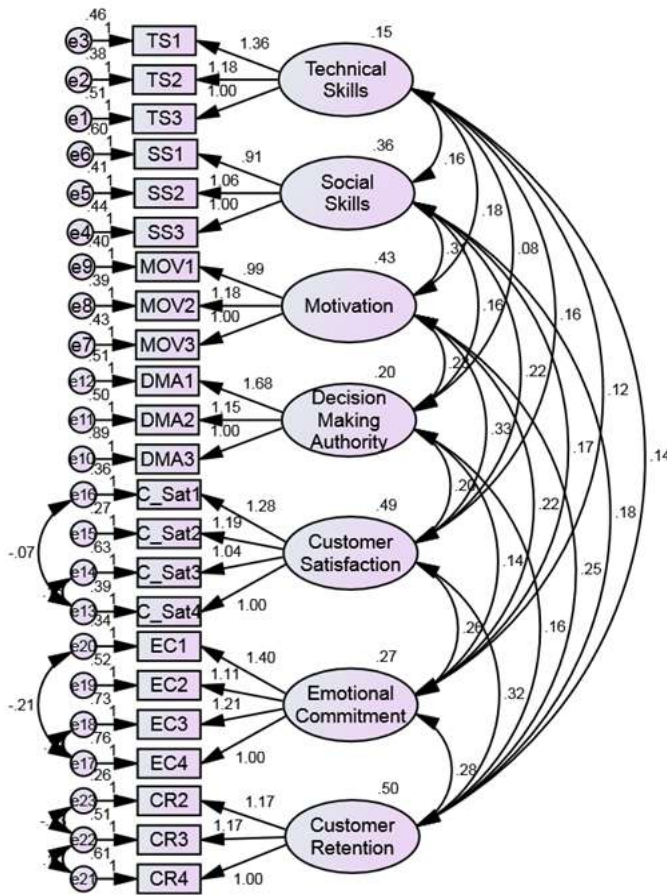


Figure .3

	CMIN/DF	CFI	TLI	RMSEA
Null Model	9.522	0.000	0.000	0.187
One Factor Model	3.093	0.783	0.754	0.104
Two Factor Model	3.305	0.755	0.730	0.097
Hypothesized Model	1.788***	0.926	0.907	0.057
(CFA Model)				
2nd Order CFA	1.801***	0.921	0.906	0.057

Table .4: Measures of Model Fit

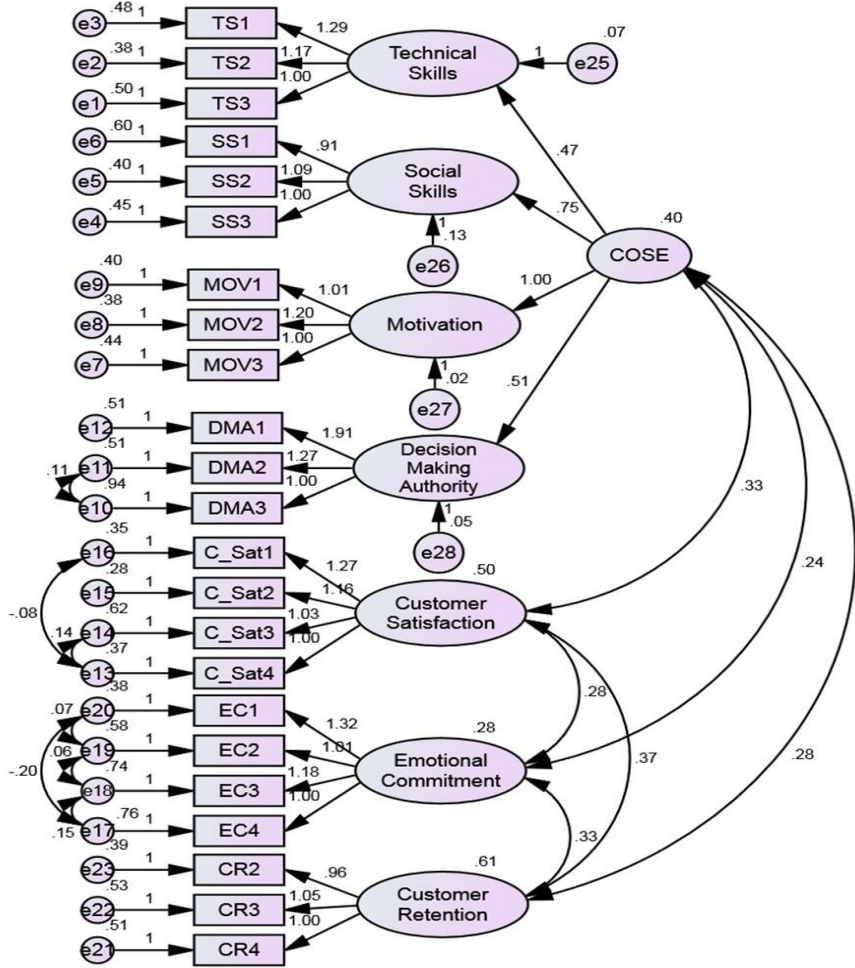


Figure .5



<b>Social Skills</b>		<b>Adapted From</b>	<b>CR</b>
Indication in CFA Model			
SS1	The employees of the mobile network have extensive social skills.		
SS2	The employees of the mobile network are able to consider their customers' perspective.	Hennig-Thurau, 2004	CR = 0.71
SS3	The employees of the mobile network know how to treat a customer well.		
<b>Technical Skills</b>			
TS1	The employees of the mobile network have a high level of knowledge.		CR = 0.70
TS2	The mobile network's employees are experts in their job.	Hennig-Thurau, 2004	
TS3	The employees of the mobile network are highly competent		
<b>Motivation</b>			
MOV1	The employees of the mobile network show strong commitment to their job.		
MOV2	The employees of the mobile network do their best to fulfill their customers' needs.	Hennig-Thurau, 2004	CR = 0.779
MOV3	The employees of the mobile network are always highly motivated.		
<b>Decision Making Authority</b>			
DMA1	The employees of the mobile network are allowed to decide autonomously in customer matters.		
DMA2	The employees of the mobile network have appropriate room for maneuver in solving customer problems.	Hennig-Thurau, 2004	CR = 0.701
DMA3	In the case of customer requests, the mobile network's employees do not need to ask their superior for permission.		
<b>Customer Satisfaction</b>			
C_Sat1	I am fully satisfied with the mobile network.		
C_Sat2	The mobile network always fulfills my expectations.	Hennig-Thurau, 2004	CR = 0.859
C_Sat3	The mobile network has never disappointed me so far.		

C_Sat4	My experiences with the mobile network are excellent.		
<b>Emotional Commitment</b>			
EC1	I feel committed to the mobile network.		
EC2	My relationship with the mobile network is important for me.		
EC3	If the network is use were no longer to exist, this would be a significant loss for me.	Hennig-Thurau, 2004	CR = 0.728
EC4	I would turn a blind eye to a minor mistake of the mobile network.		
<b>Customer Retention</b>			
CR1	In future I will subscribe to other services of the mobile network.		
CR2	I am a loyal customer of the mobile network.	Hennig-Thurau, 2004	CR = 0.806
CR3	My next SIM which I purchase will take place with the same network that I use.		
CR4	The mobile network I use is my first choice when it comes to buying a new SIM.		

Table.4: Description of the Instrument used9.

Hypothesis	Hypothesized Path	Estimate	S.E.	C.R.	P	Remarks
H1	Customer_Satisfaction <-- COSE	.931	.043	21.670	***	Accepted
H2	Emotional_Commitment <-- COSE	.330	.046	7.170	***	Accepted
H3	Customer_Retention <-- COSE	-.306	.061	-4.978	***	Accepted
H4	Customer_Retention <-- Customer_Satisfaction	.162	.056	2.876	.004	Accepted
H5	Customer_Retention <-- Emotional_Commitment	1.430	.078	18.408	***	Accepted
H6	Emotional_Commitment <-- Customer_Satisfaction	.367	.040	9.159	***	Accepted

Table .5: Hypothesis Testing

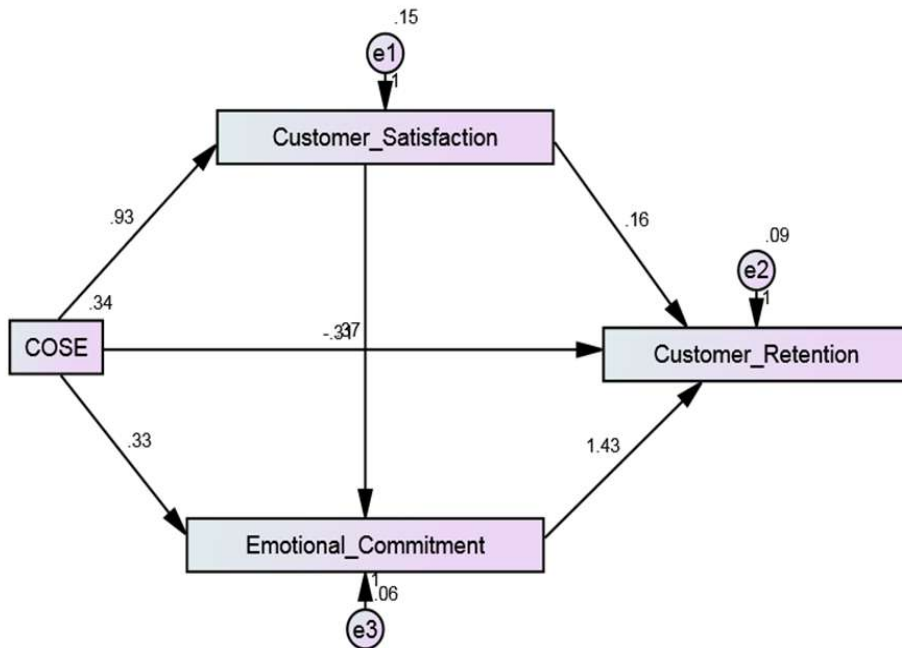


Figure.6

	Total Effect IV (COSE)	Indirect Effect IV (COSE)	Direct Effect IV (COSE)	Remarks
DV (Customer Retention)	0.805***	1.111***	-0.306***	Partial Mediation

Table – 6: Mediation Effect

	Special Customer_Satisfaction_ Total Effect COSE_	Effect Indirect Effect COSE_	of of Total Effect COSE_	Special Emotional_Commitment_ Total Effect COSE_	Effect Indirect Effect COSE_
Customer_ Retention_	0.931	0.157***	0.654***	0.960***	

Table – 7: Special Effect of Customer Satisfaction and Emotional Commitment