THE INFLUENCE OF PRODUCT-RELATED ATTRIBUTES OF CUSTOMERS ON FINANCIAL PERFORMANCE

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Abstract

Marketing research has shown that firms are more successful when they focus on their customers' needs (Donavan et al., 2004; Kennedy et al., 2003). Although some empirical studies have investigated the relationship between Product-related attributes of customers and financial performance (Gatignon and Xuereb, 1997; Han et al., 1998; Lukas and Ferrell, 2000), they have failed to show the mechanism by which Product-related attributes of customers promote financial performance. This study explored how Product-related attributes of customers influence financial performance. Despite ongoing debate regarding the specific dimensions of the customer relationship orientation construct, the link with organizational performance is almost universally recognized (Sheth and Sisoda, 1999). The findings suggest that financial service managers could consider treating consumers as partners in their provision of existing services or their quest to develop successful new services. Reciprocal behavior will foster a positive atmosphere, remove barriers arising from risk, and enable relationships to progress, ultimately improving financial performance.

Keywords: Product-related attributes of customers, financial performance, Customer value, Customer Satisfaction

1. Introduction

An important part of the salesperson’s function is to help customers make purchase decisions that will satisfy customer preferences (Saxe and Weitz, 1982). Two selling strategies are widely discussed in the literature: customer-oriented selling (or customer orientation) and sales-oriented selling (or sales orientation). These two orientations differ both in terms of their objectives and the means used to achieve objectives. Customers have preferences both in the immediate and long term. Typically, short-term preferences (or wants) are felt and clearly articulated whereas long-term preferences (or needs) tend to be latent. A customer-oriented salesperson aims to uncover and satisfy these latent needs. Indeed, as Saxe and Weitz (1982) state, “highly customer-oriented salespeople avoid actions which sacrifice customer interest to increase the probability of making an immediate sale.”

Today's business competition is dominated by its emphasis on brand building. The study of the impact of brand name on the perception and attitude of consumers has been a significant issue since competitors are keen on capturing higher market share. One issue that has emerged, as one of the most critical areas of marketing management, is brand equity (Cobb-Walgren, Ruble, & Donthu, 1995). Many researchers identify brand equity as the most important asset of a company (Keller, 1998). Brand equity has been extensively studied and there is evidence that it can influence consumer recognition and purchase intention (Aaker, 1991).

Previous studies (Van Riel et al., 2004; Wolfinbarger and Gilly, 2003; Zeithaml et al., 2002) suggest that in creating satisfaction, the website design dimension is important because it is directly related to the user interface. This dimension includes content, organization, and structure of the site, which are visually appealing, fascinating, and pleasing to the eye. It is also assumed that a website interface
often directly affects the perceived trustworthiness of the system (Luo et al., 2006). That is, the first impression of a retailing website may strongly affect the development of trust, and effective communication may facilitate trust maintenance (Egger, 2000). For example, the graphic elements of usability or content design were most likely to communicate trust in e-commerce settings. Loyal customers are indeed crucial to business survival (Semejin et al., 2005). For that reason many companies use defensive marketing strategies to increase their market share and profitability by maximizing customer retention (Tsoukatos and Rand, 2006). Although, traditionally, more efforts are dedicated to offensive strategies (Fornell, 1992), research has shown that defensive strategies can be more profitable through increased cross selling, possibly at higher prices, and positive word of mouth (WOM) communication (Tsoukatos and Rand, 2006). Customer needs have become a primary concern for companies who compete in the global market. Companies can no longer rely solely on high-volume and low-cost production to maintain growth or even survive in the market. Instead, they put their effort into meeting customer needs or requirements (CRs) and achieving customer satisfaction to remain competitive in the market.

Customer value is defined as “an interactive relativistic preference experience” (Holbrook, 1999). Zeithaml (1988) identifies four diverse meanings of value as: (1) low price, (2) whatever one wants in a product, (3) the quality that the consumer receives for the price paid, and (4) what the consumer gets for what they give up. The majority of past studies on perceived value have focused on the fourth definition of Zeithaml (1988), which is basically similar to the concept of value judgment proposed by Flint, Woodruff, and Gardial (1997).

2. Customer-oriented behavior

The term “customer orientation” is pervasively used in the marketing literature. It has been used to describe a type of organizational orientation where customer needs are the basis for planning and designing organizational strategy (Saura et al., 2005). Therefore, customer orientation, at the firm level, is defined as the set of beliefs that puts the customer’s interest first, while not excluding those of all other stakeholders in order to develop a long-term profitable enterprise (Hartline et al., 2000). It is one of the behavioral components of market orientation (Narver and Slater, 1995). Buyers are viewed as seeing a market offering as a bundle of tangible and intangible benefits consisting of perceived product or service attributes, imagery, and the transactional environment (Czinkota et al, 2004). The importance of meaningfully conveying product/service attributes and benefits in influencing the perceptions of prospects and buyers has also long been recognized. For example, Abruzzini (1967) found that the more closely the wording used in advertisements matches the language of target customers, the higher the comprehension and interest in the product or service offered. In both theoretical and applied studies (Stiff and Khera, 1977) business marketers have employed a wide assortment of attribute descriptors to obtain perceptions and preferences for competing offerings. In this paper, we argue that it is important to make a meaningful choice of attributes in a manner that links derivation and selection of the attributes to specific types of business offerings.

3. Service quality

The conceptual definition of service quality developed by Parasuraman et al. (1988) has been largely employed for comparing excellence in the service encounters by customers. Bitner (1990) defined service quality as the customers’ overall impression of the relative inferiority/superiority of a service provider and its services and is often considered similar to the customer’s overall attitude towards the company (Parasuraman et al., 1988). This definition of service quality covers several points. One of them is an attitude developed over all previous encounters with a service firm (Bitner, 1990; Parasuraman et al., 1988). In some service contexts, buyers face considerable uncertainty stemming
from such factors as intangibility, complexity, lack of service familiarity and the long-term horizon of delivery (Crosby et al., 1990). Uncertainty of outcomes implies the possibility of service failures and unfavourable consequences. Relationship quality from the customer’s perspective is achieved through the salesperson’s (banker’s) ability to reduce perceived uncertainty (Zeithaml, 1981). Prior studies have suggested that effective relationship selling (marketing) will be more critical when: the service is complex, customised, and delivered over a continuous stream of transactions (Berry, 1983); many buyers are relatively unsophisticated about the service (Ghingold and Maier, 1986); and the environment is dynamic and uncertain in ways that affect future needs (demand) and offerings (supply) (Zeithaml, 1981; Crosby et al., 1990). According to Crosby et al. (1990), these characteristics apply to professional services such as accounting and many financial services such as banking.

4. Attribution theory

Attribution theory is a collection of several theories that are concerned with the assignment of causal inferences, and how these interpretations influence a customer’s subsequent evaluation (Wirtz and Mattila, 2004). Weiner (1980) suggested that people make attributions along 3Ds: controllability, stability, and locus. Controllability refers to the degree to which the cause is perceived to be under the firm’s volitional control. This involves the customer’s belief as to whether the organization or personnel could have influenced or prevented a failure from occurring (Hess et al., 2003). In other words, when customers perceive the firm to be able to control another customer’s misbehavior (e.g. talking loudly), but fails to exercise this control (e.g. by saying to that person “Sorry, Sir, but would you please keep your voice down.”), they hold the firm responsible for the negative experience.

When used in a market research context, "Attributes" are simply properties of a given product, brand, service, advertisement or any object of interest. Much brand and market research is targeted at understanding the most significant and powerful attributes of a product/service/brand or product/service/brand class. A product, service, or brand can have many attributes including cost, value for money, prestige, taste, usability, liking ("affect") and a wide range of image or personality attributes. To use one very common example, the car or "automobile" brand class can sometimes include attributes such as prestige, cost, reliability, exclusivity, availability, type (e.g. sporty, family, luxury) and country of origin. Usually a client wishes to measure their product or brand as perceived by target markets along several attributes they see important to the brand. If they are in a competitive market, they also sometimes need to know how they rate against competing offerings. In "brands", where attributes are often related to brand personality, image and brand identification related variables, these can often be uncovered by qualitative and depth interview techniques. Beside brand equity, consumers select a product by considering physical functions, which refers to product attributes. Keller (1998) argued that product-related attributes are defined as the ingredients necessary for performing the product or service function sought by consumers, and nonproduct-related attributes are defined as external aspects of the product or service that often relate to its purchase or consumption in some way.

5. Customer Satisfaction

In a competitive marketplace, where organisations vie for customers, client satisfaction becomes an important differentiator of marketing strategy. Customer satisfaction largely depends on the degree to which a product supplied by an organisation meets or surpasses customer expectation. By measuring customer satisfaction, organisations are able to get an indication of how successful they actually are in providing products to the market. Customer satisfaction is an abstract and rather ambiguous concept. Manifestations of satisfaction vary from one person to another and from one product to another. The state of the so-called “satisfaction” depends on a number of psychological
and physical variables, and correlates with certain behaviours. Among the psychological variables, personal beliefs, attitudes and evaluations may affect customer satisfaction (Ajzen and Fishbein, 1980).

Most researchers agree that customer satisfaction refers to an attitude or evaluation formed by a customer comparing pre-purchase expectations of what they would receive from the product or service to their subjective perceptions of the performance they actually did receive (cited Drake et al., 1998). In order to control customer defection, most companies focus on managing customer satisfaction (cited in Cooil et al., 2007). Customer satisfaction has gained very much attention in the last few decades in all areas of production. In an increasingly competitive and dynamic environment, greater attention is continuously paid to customer relationships and satisfied customers. The concept of satisfaction has been the subject of numerous controversies over the last 30 years. The current tendency is to define it as: A phenomenon that is not directly observable (a psychological state that must be distinguished from its behavioral consequences . . . ) . . . an evaluative judgment . . . that results from cognitive processes and that integrates affective elements . . . a global judgment of a consumer experience . . . with a relative character, resulting from the fact that the evaluation is a comparative process between a consumer’s subjective experience and an initial reference base . . . (Aurier and Evrard, 1998).

In addition, measuring customer satisfaction has several benefits for organisations:

- Improvement of communication between parties and enabling mutual agreement;
- Recognition of the demand of improvement in the process;
- Better understanding of the problems;
- Evaluation of progress towards the goal; and
- Monitoring and reporting accomplished results and changes.

6. Financial performance

The word ‘Performance is derived from the word ‘parfourmen’, which means ‘to do’, ‘to carry out’ or ‘to render’. It refers the act of performing; execution, accomplishment, fulfillment, etc. In border sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. In the words of FrichKohlar “The performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate firm’s success, conditions, and compliance. Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

There are many different ways to measure financial performance, but all measures should be taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt.

Financial analysts often assess the following elements of a firm:
1. Profitability - its ability to earn income and sustain growth in both the short- and long-term. A company's degree of profitability is usually based on the income statement, which reports on the company's results of operations;

2. Solvency - its ability to pay its obligation to creditors and other third parties in the long-term;

3. Liquidity - its ability to maintain positive cash flow, while satisfying immediate obligations;

4. Stability - the firm's ability to remain in business in the long run, without having to sustain significant losses in the conduct of its business. Assessing a company's stability requires the use of the income statement and the balance sheet, as well as other financial and non-financial indicators.

7. Conclusion

From the conclusions presented above, it can be inferred that firms attempting to invest in improving customer satisfaction not optimize their investment unless they understand why their customers buy from them. Namely, managers should treat consumers as partners in their provision of original services or their quest to develop successful new services, while reciprocal behavior will foster a positive atmosphere, remove barriers of risk, and enable relationships to progress, ultimately improving financial performance. This work investigates the potential influence of investments in relationships on consumer attitudes, behavior and the relationship between such investments and customer and firm financial performance. While the development and sustainability of loyalty is increasingly difficult to achieve and its underlying determinants remain ambiguous, we believe that this study makes a distinctive contribution to relationship marketing theory. A key mistake in attribute-based research is for the most salient attributes to be missed, or the attribute definitions to be posed in such a way as they are not clear to the consumer subject pool. The former often occurs when a brand is product rather than consumer driven. It is often important therefore for research aimed at "un-covering" the salient attributes of the product according to the consumer, rather than the client, to be conducted also.

Regarding financial performance and customer perceptions, most studies mentioned these as important concepts, but ambiguity remains regarding their measurement in the marketing literature. Financial institutions increasingly offer comparable merchandise, copy price promotions of competitors, share common distribution systems, and offer consumers similar standards of service, and thus the results of this study appear to provide increased opportunities for increasing the focus on developing and implementing relationship bonding tactics.

References


