**Relationship orientation in social media: construct, measurement and link to company performance**

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## ABSTRACT

Today, companies operate in a dynamic environment, characterized by fast technological development, vast competition and globalization as well as constant changes in the market which has led to the growing awareness of the importance of developing long term, profitable relationships with various stakeholders or partners. Combined with the emergence of social media during the 1990s that facilitate the development and maintenance of such relationships, the two concepts gain even more importance, and are often considered as crucial factors for a company's success. Moreover, both concepts have been referred to as new marketing paradigms that had a profound impact on marketing theory and practice. With the decreasing marketing efficiency of mass communication, the concept of relationship building in social media is becoming more appealing to marketing academics and practitioners. However, even though relationship building has been identified as one of the company's main objectives in social media, it has not been conceptualized or measured adequately. On the other hand, existing conceptualizations of a more general relationship orientation, in addition to having certain conceptual and methodological issues, do not take into account the specificities of the social media context. For this reason, we argue in favor of the development of a new construct - relationship orientation in social media (ROSM), and its operationalization that would enable both academics and practitioners to measure the degree to which a company is oriented towards relationship-building in social media.

The main focus of our study was to develop an understanding of the key features of ROSM. More specifically, our aim is to determine the domain and definition of the construct and its measurement. As a secondary objective, we aimed at developing an understanding of the impact of ROSM on company performance. Given the objectives defined, a mixed method approach was used. The literature review of relationship marketing, social media and strategic orientation, was used as the basis for the conceptualization of ROSM. The empirical research was conducted in several stages. First we conducted field interviews in order to develop a better understanding of

relationship orientation and its specificities in social media. More specifically, the main purpose of this stage was to develop a working definition of the ROSM construct and a preliminary pool of items to measure it. Additionally, the insights from the interviews were used to identify the key outcomes and influencing factors of the ROSM-performance link. In the second stage we used the Delphi method to refine the preliminary pool of items, which resulted in the refined measurement scale. Finally, we conducted quantitative research to empirically test the new construct measurement and evaluate its psychometric properties.

Our findings indicate Relationship Orientation in Social Media (ROSM) is a behavioral, process-based, multidimensional construct consisting of three dimensions: (1) Knowledge generation, dissemination and management, (2) trust and bonding and (3) interaction facilitation and management. As a result, the key features of our view of ROSM are (1) the focus on current and potential customers and their communities in social media, (2) continuity and process-based view that incorporate generation, dissemination and management of knowledge and (3) focus on specific activities rather than attitudes and beliefs. The construct can be measured with a multi-item scale, and has satisfactory psychometric properties. We also identified several business and customer-based performance measures and introduced environmental and internal factors that may influence the ROSM-performance link. The main contribution of the dissertation and research is the conceptualization of relationship orientation in social media (ROSM), the operationalization of the construct by developing a measurement scale and the exploration of the link between relationship orientation in social media and company performance.

**Keywords:** relationship orientation, social media, performance, measurement

*To my parents – my rock and anchor in life*

*and*

*my brother who will always be the "Jack of all trades" to me*

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The entire process of the PhD studies is a remarkable journey, both in terms of one's academic and personal development. Academic, because of the number of theories, perspectives, approaches and methods one is exposed to, and the challenges that follow in the process of dissertation research and writing. Personal, because you learn to cope with criticism and develop (a hopefully healthy level) of self-criticism. You grow in character, which often directs your future endeavors. Finally, the connections and relationships one develops throughout the studies often span both the academic and personal domain. For me, there are a number of people I've met and cooperated with throughout this journey, that deserve merit.

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# 1. INTRODUCTION

## 1.1. Positioning of the research

Both relationship marketing and social media have been related in the literature to the development of "new marketing paradigms". Relationship marketing, because of the shift from a transaction-oriented approach to a relationship-oriented approach. Social media, because of the significant shift in the locus of power, activity and value, away from the company and towards the customer (Berthon et al., 2012).

More specifically, relationship marketing has been presented as an alternative to the traditional, transactional approach, and is grounded in the literature and concepts of services marketing and industrial marketing (Grönroos, 2011; Gronroos, 1994; Gummesson, 2002a, 1997), quality management (e.g. customer-perceived quality; see Edvardsson, 2005, 1988; Eggert and Ulaga, 2002; Ulaga and Eggert, 2006) and organizational theory (see Gummesson, 2002b, 1996, 1994) but it also other related areas such as economics, political sciences etc. that have influenced the development of the field (see Eiriz and Wilson, 2006). At the core of this approach to marketing, is the notion of establishing and maintaining long-term relationships with customers and other stakeholders, such that both sides benefit from the relationship. For such an approach to be successful, some authors stressed the importance of developing an organizational culture that supports relationship marketing, with its philosophy being embedded in all activities and levels of the organization (Gronroos, 1994; Gummesson, 1997).

Still, several issues emerged regarding the definition, scope, antecedents, outcomes and operationalization of relationship marketing. With this in mind, in this thesis we address some of these issues by analyzing and examining various definitions and aspects of relationship marketing, its defining constructs (i.e. trust, commitment, interaction, cooperation) and outcomes (i.e. profits, loyalty, satisfaction etc.). We also explore,

define and explain the key differences and relations between some of the terms often wrongly used as synonyms in the relationship marketing (e.g. customer database management, customer relationship management and relationship marketing) and strategic orientation literature (e.g. market orientation, customer orientation, interaction orientation and relationship orientation).

On the other hand, the growing importance of the social media environment yet again calls for a shift in the marketers' mindset. Broadly defined as a set of internet-based applications that enable and facilitate the creation and distribution of user-generated content (Kaplan and Haenlein, 2010), it gave rise to the consumer that is no longer just a passive observer. As Berthon et al. (2012) pointed out, the changes in the locus of power, activity and value point to the need to rethink the way to approach the customers. In other words, marketing had to transform from the more "traditional" unidirectional, broadcasting-based marketing to an approach based on interactivity, personalization, real-time and collaboration with a community of users (see Kozinets et.al., 2010). Note here that this approach shares a lot of common ground with relationship marketing – for example, interactivity, personalization and collaboration are at the core of both relationship marketing and social media.

Then, the question becomes – how should companies approach the customers in this new environment? When discussing social media and their impact on marketing, Kane et al. (2009) argued that the later has had a significant impact on the development of deeper relationships. Recent research supports this claim, as building and maintaining relationships is one of the top reasons for a company's social media participation (Michaelidou et al., 2011). The underlying reasoning is that the establishment of relationships with customers through interaction and collaboration with a community of users can generate value for both the consumer and the brand (Muniz and O'Guinn, 2001). Clearly, applying some sort of relationship marketing approach in the social media environment is called for. This, in turn, stresses the need to operationalize the relationship orientation construct in social media, making it more applicable and measurable.

Following the existing literature, relationship orientation can be considered an operationalization of the relationship marketing concept. While we find abundant literature that explains market, customer or interaction orientation (see for example Kohli and Jaworski, 1990; Kohli et al., 1993; Narver and Slater, 1990; Ramani and Kumar, 2008), there is limited literature available that reflects the activities and behaviors of organizations that characterize themselves as being "relationship-oriented". More specifically, a "relationship oriented" organization is one whose actions are consistent with the relationship marketing concept based on „identifying and establishing, maintaining, enhancing and, when necessary, terminating relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met; and this is done by mutual exchange and fulfillment of promises" (Gronroos, 1994).

Although "relationship marketing orientation" as a concept has been referred to in the literature, so far there have been only a few attempts to define the "relationship marketing orientation" construct, its elements and measurement (Palmatier et al., 2008; Sin et al., 2002; Tse et al., 2004). Furthermore, we have found the existing definitions and measurements have several important shortcomings, as they do not fully and adequately reflect the scope and elements of relationship marketing. Additionally, although it is true that the popularity of social media has led companies to devote more time effort on building their social media presence and connecting with the customers, influencers and others alike, it is still unclear whether these attempts in fact lead to yielding returns on investments made, and, ultimately, profits. This study will attempt to answer that question as well, and can therefore contribute to theory and practice in the field of social media.

To sum up, the growing body of literature in the field of relationship marketing in the 1990s and 2000s, as well as a growing interest in exploring the benefits of social media supports the increasing importance of these two areas. Although we acknowledge the variety of constructs underlying relationship marketing and its complexities, the examination and research of such complexities, relations and dyads, however, does not

represent the main focus of this research. We rather examine the relationship marketing from a strategic perspective to gain further insights into its application in the social media context, and possible impact on company performance. Here, relationship orientation in social media (ROSM) represents the operationalization and implementation of the relationship marketing concept in social media, making it more applicable in research and practice.

## 1.2. Research questions

The main distinction between this and previous research is the integration of relationship marketing orientation with the concepts of social media and company performance. The primary focus of our study is to identify the key features of ROSM. Additionally, our secondary objective is to explore the link between ROSM and performance. Naturally, these objectives served as a guideline for the formulation of research questions presented below.

*RQ1: What are the main features of relationship orientation in social media?*

There are several key defining concepts of relationship marketing that have often been used as the basis for development of the relationship orientation construct and its measurement (see for example Sin et al., 2002; Tse et al., 2004). These are, for example, the concepts of trust, commitment, communication and interaction, and collaboration (Anderson and Weitz, 1992; Anderson and Narus, 1990; Fullerton, 2005; Grönroos, 2011; Morgan and Hunt, 1994).

However, given the complexity of relationships as such, relationship orientation has been conceptualized from a number of very diverse perspectives – attitudinal and behavioral, individual and organizational. As a result, there has been a lot of confusion on what exactly constitutes relationship orientation and how it should be modeled and

measured. Additionally, based on recent relationship marketing literature, we argue that existing relationship orientation measurement scales, while providing relevant contributions to theory and practice, fail to take into account all relevant components of relationship orientation and do not provide generalizable results.

Additionally, research has shown that some of the key relationship marketing constructs differ online and offline (Urban et al., 2009). For example, Shankar et al. (2002) argue greater knowledge of the antecedents and consequences of online trust can help managers develop better online strategies. Moreover, social media and relationship marketing share a lot of common ground due to contextual specificities of social media and the key cornerstones of relationship marketing. More specifically, by examining the relationship marketing literature and social media literature, we conclude that social media, because it facilitates information sharing, dialogue and interactions, is an important ingredient in marketing for companies that aim at establishing and strengthening relationships with their customer..

Therefore, we believe these gaps in the literature speak in favor of the development of a new ROSM measurement scale that we adapt to the specific social media environment.

*RQ2: What is the link between ROSM and performance?*

In general, most strategic orientation-performance models identify similar outcomes or performance measures. In chapter 4, we compared 3 types of strategic orientations - market orientation, customer orientation and interaction orientation – based on their definition, scope/focus and outcomes. We have shown that even thought the three orientations differ conceptually, their outcomes tend to be evaluated using similar indicators, usually categorized in two main groups: customer-based outcomes such as loyalty and satisfaction (Jaworski and Kohli, 1993; Ramani and Kumar, 2008) and business outcomes, also referred to as profit-based or financial such as profits, sales, ROI

etc. (Jaworski and Kohli, 1993; Narver and Slater, 1990; Ramani and Kumar, 2008; Sin et al., 2002).

Even though researchers agree all relationship marketing activities are ultimately evaluated on the basis of a company's overall profitability there is limited empirical research available that examines the link between relationship orientation and company performance. The few studies we examined in more detail in Chapter 4 of the thesis were focused on specific areas and contexts (e.g. business-to-business and service sector), and are able to explain only a small percentage of variance in company performance (Sin et al., 2002; Tse et al., 2004). This can be a result of poor construct and model conceptualization, omitting other relevant performance measures and variables or taking into consideration the role of context. Additionally, the complex nature of relationships needs to be taken into account when determining performance outcomes. Furthermore, some outcomes may be more "relationship specific" such as customer satisfaction and loyalty, while other outcomes tend to be more "generic" such as sales, profits or market share.

### 1.3. Contribution of the research

The thesis offers conceptual and empirical contributions. The main conceptual contribution is the (1) conceptualization of relationship orientation in social media (ROSM) and (2) the operationalization of the construct by developing a measurement scale.

Firstly, we defined ROSM and identified its domain. We found that existing conceptualizations of relationship orientation exhibited certain conceptual and methodological issues such as the narrow consideration of the concept For example, some important features that pertain to relationship *creation* and *development* have not been taken into account More precisely, any activities of data collection, monitoring and knowledge development and dissemination have been omitted, even though these activities have received significant attention in the relationship marketing and strategic

orientation literature (for a more detailed overview see discussions presented in chapter 2 and chapter 4 of the thesis). Moreover, the specificities of social media have to be considered and linked to the construct of relationship orientation. Contrary to the prevalent approach in the literature, we conceptualize ROSM at the company level; and as multidimensional, behavioral and process-based rather than individual and cultural.

Secondly, we operationalize the ROSM construct. The existing measurement scales have been developed and tested in very specific contexts such as the services sector in China (see for example Sin et al. (2002)). We argue that, given it is grounded in the Chinese services sector, the respondent's attitudes, behaviors, and consequently responses used to develop and test the RMO scale, have been influenced by the characteristics and nature of the industry and culture in which they work. For example, the notion of trust and reciprocity significantly differs between China and most European countries due to significant cultural differences. Finally, the existing scales combine attitudinal and behavioral perspectives, whereas the behavioral perspective may prove to be a more objective measure as it is based exclusively on actual behaviors. Finally, the specificities and complexities of communication and behaviors in social media have to be taken into account and incorporated into the scale to adequately reflect relationship-building activities in the social media context. Because existing scales were not suitable, we followed the procedure of Churchill (1979) and develop a measurement scale of the ROSM construct, making the construct more applicable in research and in practice.

A third conceptual contribution is developing an understanding of the links between relationship orientation in social media and company performance. Although existing literature argues that businesses that adopt relationship orientation can improve their performance (Berry, 1995; Gronroos, 1996; Gummesson, 2004; Morgan and Hunt, 1994), there have been fewer empirical research to support this claim, especially in the context of social media. It is only in the past two years that the researcher's attention has turned towards determining and quantifying the outcomes of various relationship-building activities in social media. Additionally, we introduce several variables based on

prior literature and research findings, which may influence the strength of the impact of ROSM on performance, such as environmental and company characteristics.

Empirically, the main contribution of the thesis is the empirical validation of the ROSM measurement scale and a detailed examination of its psychometric properties. Finally, with respect to potential managerial implications, the research can give companies and managers insights on how to effectively use social media to develop, maintain and enhance valuable relationships with customers in social media.

To sum up, this thesis provides both conceptual and empirical contributions to the fields of relationship marketing, strategic orientation, and social media. The main conceptual contribution lies in the (1) precise definition of the relationship orientation in social media (ROSM) construct and the identification and definition of its key dimensions and (2) the development of the construct's measurement scale. An additional theoretical contribution of the thesis is the development of a working model representing the impact of ROSM on perceived company performance, moderated by several company-specific and environmental variables. In developing these ideas, we adopted several theory-building strategies such as the use of analogy and interrelations (see Yadav, 2010).

### 1.4. Organization of the work

The work is organized as follows. After a brief introduction, in the literature review we provide an extensive overview of the three key research areas – relationship marketing, social media and strategic orientation. Next, we provide an outline of research design and methodology, followed by the presentation of findings of the empirical study and their discussion. We finish by presenting the managerial implications, limitations and recommendations for further research.

In Chapter 2, we analyze and discuss the nature, definition and scope of relationship marketing as seen by various authors. Secondly, we identify and examine the key

defining concepts or underpinnings of relationship marketing, the understanding of which is crucial for the conceptualization and operationalization of the ROSM construct. Finally, we explore the link relationship marketing to various (1) company and (2) customer-based outcomes. Given the topic and objectives of the thesis and research, addressing these issues becomes critical for further examination of relationship orientation in social media and its impact on company performance.

Chapter 3 addresses the nature and specificities of social media, and its impact on the marketing paradigm and marketing practice. We start by defining the construct and looking into its development in the past decade, followed by an examination of social media types, strategies and an overview of relevant social media research. Finally, we provide a conceptual link between relationship marketing and social media by examining relationship-building strategies in social media.

In Chapter 4, we focus on understanding the key similarities and differences between relationship orientation and related types of strategic orientations such as market orientation, customer orientation and interaction orientation. Given the complex nature of relationship orientation and the many different approaches in its development and measurement, establishing a link between these constructs was essential for the positioning of this study. Additionally, the chapter presents a detailed analysis and discussion of existing measures and conceptualizations of relationship orientation and the apparent conceptual gaps, which we use as arguments in favor of the development of a new ROSM scale.

In Chapter 5, we refined our research questions based on the literature review presented earlier in the thesis. Given the identified objectives and research questions, and their nature, a mixed method approach that combines qualitative and quantitative methods was chosen as the most suitable. Following the established procedure, we provide a detailed description of the research we conducted three consecutive stages: the first stage is characterized by ROSM conceptualization based on a review of the literature and

expert interviews. As a result, a working definition of ROSM was developed along with a preliminary pool of items to measure it.  In the second stage, we focus on establishing face validity, item refinement and scale purification using the Delphi method. Finally, in the third stage we focus on measure assessment and validation.

Next, in Chapter 6 we present the results of the empirical study. First we present the findings from the qualitative study. We start by outlining the findings that emerged from the field interviews. We then provide a brief overview of the results from the scale pretest based on the Delphi method. Next, we present the analysis of the quantitative study - a detailed analysis of the scale and measurement by using exploratory and confirmatory factor analysis, followed by reliability and validity analysis.

In Chapter 7 we discuss the findings in light of existing theories and contributions in the literature. We present a final definition of ROSM, elaborate each of the identified dimensions and contrast them with existing literature. Finally, we discuss the findings related to the link between ROSM and company performance and identify potential factors that may influence that relationship.

Finally, in Chapter 8, we present the summary of findings followed by a discussion of managerial implications, limitations and recommendations for future research.

## 2. RELATIONSHIP MARKETING

In this chapter we will examine and discuss the concepts and ideas of relationship marketing as seen by various authors, and, by evaluating various approaches to some of the key factors, discuss how relationships are created and maintained and what the expected outcomes of such relationships are.

The idea of relationship marketing has been practiced since the beginning of trade. However, in terms of research, it has received more attention in the 1980s and 1990s onward. Given its complex nature, relationship marketing has been examined from a number of different perspectives that often contradict one another. These contradictions caused a lot of confusion surrounding the construct and raising issues on what relationship marketing really is, how it differs with respect to other constructs, how it can be measured, what are the expected benefits and pitfalls (if any) and so on. Given the topic and objectives of the thesis and research, addressing these issues becomes critical for further examination of relationship orientation in social media and its impact on company performance. Therefore, the main purpose of this chapter is to discuss the nature, definition and scope of relationship marketing as seen by various authors. Secondly, we identify and examine the key defining constructs or underpinnings of relationship marketing. Finally, we explore the link relationship marketing to various (1) company and (2) customer-based outcomes such as (1) sales, ROI, profits and (2) customer loyalty and satisfaction.

### 2.1. Introduction

The concept itself draws its roots from many different theories, dominantly from business and organizational science, but also from other related areas such as economics, political sciences, sociology, social psychology and law that have influenced the development of the field (Eiriz and Wilson, 2006). While examining relationship marketing, it is important to note that we focus on customer relationships, rather than

business-to-business relationships, although both have received significant attention, especially in the past 10 years (see Das, 2009). Still, there is a lot of disagreement regarding the definition of relationship marketing and various authors have presented definitions of relationship marketing, which mainly vary in scope (Gronroos, 1994; Harker, 1999).The reviewed literature suggests that, although there is no generally accepted definition of relationship marketing, several definitions are used to identify all the key actors and processes of relationship marketing (Harker, 1999). Finally, it appears there has been some confusion in using the term "relationship marketing" interchangeably with other related terms such as CRM or Customer orientation (Das, 2009).While these terms do share common ground, the main differences can be found in their scope, strategic level and management. These and other issues related to the definition, development, underlying constructs, operationalization and outcomes of relationship marketing will be discussed in this chapter in more detail. Special attention will be given to some of the issues and criticisms of relationship marketing and its defining constructs.

## 2.2. Definition and origin

### 2.2.1. Transaction vs. Relationship marketing

The concept of the marketing mix, developed by Neil Borden during the 1960s and later categorized as the 4Ps by McCarthy, has for long dominated marketing theory, research, and practice. The concept, often described as transactional, became increasingly popular with the emergence of mass markets (Kandampully and Duddy, 1999; Gronroos, 1999). Although the concepts of the so called "transactional marketing", characterized by an emphasis on an individual sale, can still be applied today (Grönroos, 1999; Gronroos, 1994; Payne, 1994), scholars argue that an increasingly competitive business environment characterized by constant changes calls for a different approach to marketing and business (Kandampully and Duddy, 1999; Payne, 1994; Webster, 1992). More specifically, several authors identified key changes that require a shift in the

marketing paradigm (i.e. a shift from transactional to a relational approach), and can be summed up as the following: (1) fragmentation of the mass markets; (2) changes in customer preferences (i.e. customers no longer want to remain anonymous and desire an individual treatment); (3) more maturing markets; (4) increasing, global nature of the competition and (5) less standardized market offerings (Grönroos, 1999; Gronroos, 1994; Palmer et al., 2005; Sheth and Parvatiyar, 1995). These changes resulted in a series of criticisms of the transactional marketing paradigm, which dominantly refer to the loss of substance and validity due to its simplicity, and of not bearing in mind the needs of the customer and disregarding services and industrial marketing (Gummesson, 1994; Iglesias et al., 2011; Payne, 1994).

More precisely, it has been argued that the initial list of marketing characteristics presented by Borden has been oversimplified and categorized into the 4Ps. The question of oversimplifying the marketing mix is rooted in the fact that Borden initially suggested 12 elements that reflect the key marketing activities, namely: product planning, pricing, branding, channels of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling and fact finding and analysis (Borden, 1984). Therefore, the McCarthy's 4Ps classification represents a condensed, simplified version of the marketing mix.

While this meant the 4Ps approach was more simple and manageable in terms of research, it was often criticized for being incomplete and not taking into account the conceptual and methodological considerations when developing a classification. As Waterschoot and Bulte (1992) point out, the simplified version of the marketing mix has several considerable shortcomings that appear to be the direct result of poor conceptualization of the term. Following the classification scheme proposed by Hunt in 1991, they analyzed the 4Ps classification based on the following criteria: (1) specification of the phenomena to be classified, (2) specification of the key dimensions or properties that form the base for the classification, (3) identification of categories that are mutually exhaustive, (4) scheme that is collectively exhaustive and (5) usefulness of

the classification. The analysis was used to identify three major flaws, namely: (1) the properties or characteristics of the classification have not been identified, (2) the categories are not mutually exhaustive and (3) there is a catch-all subcategory (i.e. sales promotion) that is continuously growing in importance (Waterschoot and van den Bulte, 1992, p. 85)

It is interesting to note that even Borden pointed out to some of these issues and emphasized that the list he developed is a result of findings based on in-class discussions, consulting and case analysis and is by no means exhaustive. Additionally, he concluded that the number of elements on the list may vary depending on different contexts and situations. Nevertheless, it seems that over time, this understanding of the marketing mix had faded, with the 4Ps being considered not only a dominant, but also universal marketing paradigm by academics and practitioners alike. However, the oversimplified consideration of the marketing mix due to the previously described loss of substance and validity bears on both marketing theory and practice. Marketing theory because the aim of classifications is to stimulate conceptual integration and purification of the discipline, as well as provide a guideline for the development measures of marketing mix activities and their outcomes (Waterschoot and van den Bulte, 1992). A similar logic applies to the practitioners – they need a sound classification and measurement they can use to assess the impact of their marketing efforts. If a classification faces problems we described earlier, it tends to have an impact on the discipline as a whole, especially if the classification is widely recognized and accepted.

Finally, the previously mentioned issues, or flaws of the traditional approach to marketing, seen through the marketing mix, were further emphasized by relationship marketing researchers. For example, it is argued that the 4Ps model is too production-oriented and does not take into account the needs and wants of customers and does not consider the impact of services or network interactions specific to the business-to-business market (Gronroos, 1994; Gummesson, 1994). Additionally, it has been argued that, even though some of the flaws in the 4Ps classification have been addressed by

adding additional "Ps" (for an outline of the evolution of "Ps" see Gummesson, 1994), it still "does not explicitly include any interactive elements", and "does not indicate the nature and scope of such interactions" (Gronroos, 1994, p. 6). As Gummesson (1994) points out, the traditional approach does not recognize the possibility of a partnership between the customer and the seller, and that the customer can also be an active participant. Similarly, Gronroos (1994) concluded that the traditional marketing mix is more of a clinical approach making the seller an active, and customer a passive participant, making this approach unfit to face "the reality of industrial marketing and the marketing of services" (Gronroos, 1994, p. 9).

As an alternative to the traditional, transactional approach, the concept of relationship marketing has emerged during the 1980s, and was grounded in the literature and concepts of services marketing and industrial marketing (Grönroos, 1999; Gronroos, 1994; Gummesson, 2002a), quality management (e.g. customer-perceived quality; see Crosby et al., 1990; Edvardsson, 2005, 1988) and organizational theory (see Gummesson, 2002b, 1996) but it also feeds on other related areas such as economics, political sciences, sociology, social psychology and law that have influenced the development of the field (see Eiriz and Wilson, 2006). In terms of the relevant research streams and perspectives, the Nordic School of Service that examines management and marketing from a service perspective (see Grönroos, 1999, 1985) and the IMP Group that adopted a network and interaction approach to understanding industrial businesses (Ford, 2011; Ford et al., 2011; Hakansson et al., 2009; Snehota and Hakansson, 1995) provided considerable contributions to the conceptual development of relationship marketing. These two schools of thought remain among the most acknowledged in the field of relationship marketing (Palmer et al., 2005), although other schools of thought emerged throughout the years, such as the Anglo-Australian school based on quality, customer service and marketing (Gronroos, 1994; Palmer et al., 2005), the north American school that studies company-customer relationships (Gronroos, 1994; Palmer et al., 2005; Payne, 1994), or the Chinese business relationship perspective (Palmer et al., 2005). Based on this brief overview of schools of thought, we may conclude that

beyond the initial two schools – the Nordic school and the IMP – the researchers' views begin to diverge and encompass various other schools of thought, perspectives and research streams. The main reason for such discrepancies may lie in the fact that these schools, unlike the Nordic school and IMP, share similar approaches, methodologies and views making it difficult to categorize them adequately. Finally, this also suggests that there are a number of different approaches to relationship marketing, and shows the complexity of the field.

Compared to the more "traditional" marketing concept that focuses on transactions, relationship marketing has often been described as the "new marketing paradigm" and a strategic orientation (Gronroos, 1994; Kandampully and Duddy, 1999). Table 1 shows some of the key differences between the classical, transactional approach to marketing and relationship marketing along several elements of the strategy continuum. According to Grönroos (1991) the strategy continuum represents different approaches to marketing strategy, with transaction marketing placed at one end of the continuum, and relationship marketing on the other. In a broad sense, the relationship end of the continuum reflects a focus on relationships with different groups of stakeholders, while the transactional end reflects a focus on one transaction at a time. Before explaining the continuum and differences between the two ends of the continuum (see Table 1), it is important to note that a company's focus is almost never purely transactional or purely relational. As Grönroos (1995) pointed out, there are plenty of mixed strategies that dominantly manifest as being either transactional or relational. Therefore, any of the elements of the continuum as listed below, serve to evaluate the *degree* to which a company's marketing strategy reflects a certain approach or characteristic. These nine characteristics are: (1) time perspective, (2) dominating marketing function, (3) price elasticity, (4) dominating quality dimension, (5) measurement of customer satisfaction, (6) customer information system, (7) interdependency between marketing, operations and personnel, (8) role of internal marketing and (9) the product continuum.

**Table 1: Comparison of transaction and relationship marketing concepts on the strategy continuum**

| The strategy continuum | Transaction marketing | Relationship marketing |
|---|---|---|
| Time perspective | Short-term focus | Long-term focus |
| Dominating marketing function | Marketing mix | Interactive marketing (supported by marketing mix activities) |
| Price elasticity | Customers tend to be more price sensitive | Customers tend to be less price sensitive |
| Dominating quality dimension | Quality of output is dominant | Quality of interactions becoming dominant |
| Measurement of customer satisfaction | Market share (indirect approach) | Managing the customer base (direct approach) |
| Customer information system | Ad hoc customer satisfaction surveys | Real-time customer feedback system |
| Independency between marketing, operations and personnel | Interface of no or limited strategic importance | Interface of substantial strategic importance |
| The role of internal marketing | No or limited importance for success | Substantial strategic importance for success |
| The product continuum | Consumer packaged, consumer | Industrial, services |

Source: Gronroos, 1991, 1994

Time perspective refers to the short vs. long-term orientation of a company's marketing strategy. As shown in Table 1, relationship marketing is characterized by a long-term focus, since the primary objective is to create results through enduring and profitable relationships with customers, which requires time (Ganesan, 1994; Gronroos, 1994; Kandampully and Duddy, 1999). On the other hand, it is argued that companies adopting a more transaction-based perspective will focus on the short run, given that their primary

focus is a single transaction at a given time. In short – we could say that the main objective of a transactional approach is to *get* customers, while the main objective of the relational approach is to *get and keep* customers which requires more time and effort (Grönroos, 1995).

Secondly, for a company that adopts the relationship approach, the dominating function is primarily interactive and refers to activities outside the classical marketing mix as we know it. As pointed out earlier, the relationship approach acknowledges the active participation of the buyer or customer, and the importance of interactions, and therefore centers on interactive marketing as the dominant part of the marketing function (Gronroos, 2004, 1994; Gummesson, 1994). These views have also been confirmed by Sheth and Parvatiyar (1995) who argue that, unlike the transactional perspective driven by value distribution and financial outcomes, the relationship perspective focuses on value creation through collaboration and interaction processes. This is not to say that the marketing mix activities become irrelevant for the company. It is rather about making the interaction processes and part-time marketers the core, with the traditional marketing mix activities supporting such processes (Grönroos, 1995; Gummesson, 1994).

Thirdly, in terms of price elasticity, it has been argued that customers tend to be more price sensitive for companies that are more transaction oriented (Gronroos, 1994). The argumentation supporting this claim is that, in transaction marketing, the core product is at the heart of the offering, and image of the company or brand which keeps the customer attached. In this setting, price quickly becomes an important decision-making factor, which makes the customers more price sensitive, and more inclined to switch products when offered a lower price. On the other hand, a company that dominantly uses the relational approach offers more value to the customer, develops stronger relationships with the customer making him less price sensitive (Gronroos, 1994). This however, is a somewhat rigid view, as most companies today do offer benefits in addition to the core product. (E.g. in form of additional services).

Fourth, as Table 1 suggests, the dominating quality dimension for companies that adopt the transactional approach is determined by the technical quality dimension, whereas for relationship-oriented companies it is determined by the quality of interactions. While the technical aspects of the product and its quality remain important for relationship-oriented companies, the nature of relationship marketing suggests that the quality of *interactions* needs to be taken into account, and possibly become dominant (Grönroos, 1991; Gronroos, 1994).

It has also been suggested that transactional and relationship marketing differ based on their approach to the measurement of customer satisfaction and customer information systems (points 5 and 6 in Table 1). Grönroos (1995) argued that companies that adopt the transactional approach (1) do not have any *direct* knowledge of the degree of customer satisfaction, (2) are not able to *continuously* monitor customer satisfaction and therefore conduct *ad hoc* surveys and (3) use market share as a proxy of customer satisfaction. On the other end of the continuum, however, companies that use the relational approach can continuously monitor customer satisfaction by directly managing the customer base (Grönroos, 1995, 1991). Perhaps this line of thinking is the most difficult to grasp when explaining the transactional-relational continuum, given the number of issues that emerge. First, it is unclear what is meant by ad hoc customer surveys. Typically, *ad hoc* is contrasted with *planned*, not continuous, so it is our impression that the term was misused when attempting to argue the differences in the two approaches to marketing and customer satisfaction surveys. Additionally, the survey itself represents a direct contact with the customer, and, even if it represents a "snapshot" at a given point in time, it can be, and often is, planned and conducted periodically. Finally, Gronroos (1994) argued that for a company that adopts a transaction marketing strategy "there are no way of continuously measuring market success other than market share monitoring" (p. 12), directly linking customer satisfaction to market share statistics. However, research has shown that the positive link between market share and customer satisfaction may not be that straightforward (e.g. in the short run or with cross-sectional data, see for example (Hakansson and Snehota, 1995). Moreover, in an extensive study of the customer satisfaction-market share relationship, Rego et al. (2013)

find that the hypothesized relationship was either nonsignificant or negative. After reexamining the data for a longer period of time, the authors confirmed a significant negative relationship between the two constructs. Taking into account these issues, we argue that the key difference between the transactional and relational approach in terms of customer satisfaction monitoring and customer information systems lies in the methodologies used to monitor customer satisfaction, richness of the data (data obtained via direct customer contacts and interactions is richer) and the overall commitment of the company towards customer satisfaction monitoring.

Next, it has been argued that the level of importance of intraorganizational collaboration and departmental interdependency varies along the strategy continuum. In a company with a transactional approach to marketing, there are no part-time marketers and the majority of the customer contacts fall under the domain of the marketing and/or sales departments (Grönroos, 1991; Gronroos, 1994). Therefore, in such a setting, these departments are in charge of the marketing function and there is very little collaboration with other company departments. However, as noted several times so far, the relational approach introduces part-time marketers who operate throughout the company, in various positions and departments. For such an approach to be successful, the coordination and collaboration of at least three functions is necessary – marketing, operations and human resources (Grönroos, 1995; Kandampully and Duddy, 1999).

Finally, internal organization and the role of internal marketing are considered, and thought of as having substantial strategic importance for success (Grönroos, 1991; Gronroos, 1994). The key role of internal marketing is to inspire and motivate non-marketing staff (also called part-time marketers) to actively engage in marketing-like behaviors and to convey the importance of such behaviors for the company as a whole (Grönroos, 1995). Gronroos (1994) concluded that, contrary to the transactional approach, the relational approach requires "…a thorough and on-going internal marketing process to make relationship marketing successful. If internal marketing is neglected, external marketing suffers or fails" (p. 13).

*2.2.2. Defining relationship marketing*

During the 1990s, there have been several attempts to define relationship marketing by reflecting diverse academic and socio-political backgrounds of scholars (Harker, 1999). In his analysis of 26 different relationship marketing definitions, Harker (1999) defined seven conceptual categories of relationship marketing (see Table 2).

**Table 2: Conceptual categories of relationship marketing**

| Primary construct | Other common constructs |
|---|---|
| Creation | Attracting, establishing, getting |
| Development | Enhancing, strengthening, enhance |
| Maintenance | Sustaining, stable, keeping |
| Interactive | Exchange, mutually, co-operative |
| Long-term | Lasting, permanent, retaining |
| Emotional content | Commitment, trust, promises |
| Output | Profitable, rewarding, efficiency |

Source: Harker, 1999

Although some definitions seem to have many of the conceptual categories in common, none of the definitions fully address all of the previously listed constructs (see Table 2). For example, in 1983 Berry was one of the first authors to define relationship marketing as *attracting*, *maintaining* and – in multiservice organizations – *enhancing* customer relationships (Berry, 2002). This definition is very narrow in scope, as it does not take into account interactivity, the temporal dimension, emotional content or output. Over time, two trends can be observed regarding attempts to define relationship marketing. One that features "single-item" definitions of relationship marketing that reflects only one construct category (or two at best). A good example of such a definition is Bennett (1996) who defines relationship marketing as the total fulfillment of all the *promises* given by the supplying organization, the development of *commitment* and *trust* and the *establishment* of *personal contacts* and *bonds* between the customer and the firms'

representatives; the eventual emergence of *feelings* within each party of mutual obligation, of having common goals, and the *involvement* with and *empathy* for the other side. This definition clearly dominantly focuses on interactivity (e.g. personal contacts, bonds, involvement) and on emotional content (e.g. promises, commitment, trust, feelings, empathy) while completely ignoring all other components of the construct (e.g. creation, temporal component, output, etc.). A second group of authors, however, attempted to provide a wider, more "general" definition of relationship marketing. For example, O'Malley et al. (1997) say relationship marketing involves the *identification*, specification, *maintenance* and dissolution of *long-term* relationships with key customers and other parties, through *mutual exchange*, fulfillment of *promises* and adherence to relationship norms in order to satisfy the *objectives* and *enhance* the experience of the parties concerned.

Similarly, Gronroos (1994), p.138 defined it as „*identifying* and *establishing*, *maintaining*, *enhancing* and, when necessary, terminating relationships with customers and other stakeholders*, at a profit* so that the objectives of all parties involved are met; and this is done by *mutual exchange* and fulfillment of *promises*". Note here that both definitions also refer to the potential situation of ending a relationship (e.g. dissolution of relationships; terminating relationships) and also refer to goals and objectives (Gronroos is very specific in defining relationships should be *profitable* but compared to O'Malley et.al. is missing the temporal dimension). Given these two definitions score highest in terms of the constructs used, they can therefore be considered as widely acceptable. Additionally, Gronroos (1999) emphasized that profitable business relationships should rely on a firm's ability to develop trust in itself and its performance with its customers and stakeholders, and its ability to establish itself as an attractive business partner. He then concludes that most definitions of relationship marketing, although varying in terms of scope and emphasis, do in fact, share similar meanings (Gronroos, 1999).

However, labeling relationship marketing as a "new marketing paradigm" has received its fair share of criticism. Several authors have questioned whether relationship

marketing can even be considered a new marketing paradigm, and stressed the field faces several important issues including conceptualization, level of analysis, modeling, measurement, time, contextuality and contribution to theory and practice (Brodie et al., 1997; Fitchett and McDonagh, 2000; Lehtinen, 1996; Zineldin and Philipson, 2007). More specifically, Lehtinen (1996) argued that relationship marketing "has produced many generalizations but few theoretical and empirical results that are well grounded" (p. 44). On the other hand, while Kasabov (2007) acknowledges the conceptual contributions of relationship marketing, he also points out to some inadequacies in the theorizing that dominantly refer to non-contingent and theoretical conceptualizations, overly biased towards the positive aspects of relationships. Although this may seem too critical, it is true that clear and unbiased conceptualizations of the key terms that reflect relationship marketing are missing.

As we have seen with the very definition of the concept for which there is still no definite agreement, many other related concepts face the same fate, which in turn, makes it more difficult for researchers explore the phenomenon. Additionally, several questions emerge referring to the connections between the transactional and relational approach. More specifically , is relationship marketing truly a new marketing paradigm or merely a new "hot" term representing a pre-existing paradigm (Fitchett and McDonagh, 2000; Zineldin and Philipson, 2007)? Similarly, should we understand relationship marketing as a paradigm itself, or within the transactional paradigm (Lehtinen, 1996)? Can relationship marketing be considered a dominant when compared to the transactional approach (Zineldin and Philipson, 2007)? Finally, how does relationship marketing relate to the more "traditional" concepts such as the 4Ps and segmentation (Lehtinen, 1996)?

Zineldin and Philipson (2007) argued that relationship marketing cannot be considered a new, or a dominating marketing paradigm, as it is embedded in the existing transactional approach to marketing. They build their theory and research on the work of Kotler, Borden and Drucker, and conclude relationship marketing is rather a rediscovery of

marketing as a cross-functional, rather than departmental approach. According to their research on a sample of Scandinavian companies, they conclude relationship and transactional marketing are complementary, as the relationship strategy can be used as a supporting approach. Although there is a rationale for using specifically Scandinavian companies to conduct the research and investigate whether relationship marketing is the new, dominating paradigm – in depth interviews with five companies can by no means be used as basis for generalization.

Although the discussion on relationship marketing as a new (dominant) paradigm continues (Hunt, 1994; Palmer et.al., 2005; Zineldin and Philipson, 2007), all authors agree that relationship marketing represents, at least, a new and distinct marketing construct (Palmer et al., 2005). At this point in time, 30 years since its inception, and given the number of conceptual and empirical papers written on the topic of relationship marketing (see Das, 2009), it is safe to say it cannot be considered a "fad" or a new "hot term", as it was regarded by some authors. Additionally, some of the criticism examined earlier can be seen as misplaced, as the leading authors and schools of thought already addressed these issues from a conceptual standpoint. For example, relationship marketing has been examined in the context of a relational-transactional strategy continuum, conceptualizing its key differences and addressing the relations between the two concepts (Grönroos, 1990; Gronroos, 1994). By no means is the relationship marketing approach considered an integral part of the transactional paradigm, but rather its complement that can be a source of competitive advantage in the dynamic and highly competitive business environment (Palmer et al., 2005; Webster, 1992).

Moreover, Webster (1992) presented several types of relationships and alliances (transactions, repeated transactions, long-term relationships, buyer-seller partnerships, strategic alliances, network organizations and finally, vertical integration) along the transactional-relational continuum that reflect the changing role of marketing in the corporation. As the competition in the marketplace grows, more and more companies move along the transactional-relational continuum towards the relational end in order to

build more complex relationships and partnerships characterized by greater interdependence (Webster, 1992). This trend of moving from the traditional, transaction-based hierarchies towards more flexible, relationship-based partnerships calls for a reorganization of the marketing function within the company, reexamination of marketing activities and a change in focus towards long-term customer relationships, partnerships and strategic alliances (Grönroos, 1999; Webster, 1992).

### 2.2.3. Towards an operationalization of relationship marketing

So far there have been several attempts to operationalize relationship marketing. Two of the most noteworthy, which have set the base for future conceptualizations and operationalizations of the construct, are those of Christian Gronroos with his 8 viewpoints of relationship marketing, and Evert Gummesson with his definition of the 30Rs of relationship marketing. In essence, these two contributions are conceptual in nature, and can serve as guidelines for the development and operationalization of relationship marketing – a process that began during the 2000s with the development of the "relationship orientation" construct and several measurements aiming at assessing the degree to which a certain company is focused on relationship building, maintenance and enhancement. We start by describing the 8 viewpoints of Christian Gronroos, followed by an examination of the 30Rs of Gummesson. Finally, we introduce the concept of relationship orientation that will be examined in more detail in chapter 4 of the thesis.

Gronroos (1999) defined eight viewpoints of relationship marketing, proposed relationship-oriented structures, and explained how these concepts relate to the more traditional concepts (e.g. 4Ps or segmentation). According to Grönroos (1999), since the marketing impact depends on various activities of part-time marketers (Gummesson, 1997), relationship marketing does not rely on a predetermined set of marketing variables. Rather, the variables used tend to depend on the stage and nature of the relationship, and the company must use all resources and undertake activities that meet

the desired objectives by creating value and enhancing satisfaction. The dependence on the stage and nature of the relationship has later been proven as an important factor in assessing the quality of the relationship (Grönroos, 1999; Gronroos, 1996).

Secondly, it is argued that this new marketing paradigm does not rely on prefabricated products (Grönroos, 1999). Here, prefabricated refers to the situation in which a product exists prior to the beginning of the marketing process, which is characteristic of the transactional approach. This offers a different viewpoint from the well-known traditional concept of the 4Ps with the product at the core of all activities. In relationship marketing, where product is merely seen as one of the possible solutions to serve the customers' needs, the product itself does not exist as completely prefabricated offering. Instead, the company should aim at developing resources such as personnel, technology, know-how, the customer's time and even the customer itself, and also create a good resource management system in order to produce a satisfactory offering over time (Gronroos, 1996). The perceived importance of resources, especially with respect to relationship marketing, has been highlighted by other authors as well (Kandampully and Duddy, 1999; Kasabov, 2007). For example, Kandampully and Duddy (1999) argue that "the definition of "resources" changed dramatically with the advent of technology and its impact within almost every field of business activity" (p. 316). Similarly to Gronroos (1996, 1999), they conclude that the firms have to re-evaluate the nature and extent of their resources and how they should be managed and marketed effectively.

Third, contrary to the traditional functional view of marketing that appears in the very definition of the term (see Zineldin and Philipson, 2007; Kotler et al., 2009) the relational perspective suggests marketing should not be organized as a separate organizational unit. With customers being at the core (rather than the product) and given the number of the customers, it can easily happen that the specialists in the marketing department become alienated from the customers (see also Gronroos, 1996). Therefore, marketing consciousness must be developed organization-wide in cooperation with the marketing specialists that are still needed as internal consultants (Grönroos, 1999). As

Webster (1992) points out, "marketing can no longer be the sole responsibility of a few specialists… It must be a part of everyone's job description and part of the organization culture" (p. 14). This view is also aligned with the views of Gronroos (1996) and Gummesson (1997) who argue in favor of the creation of an internal marketing process that assumes the existence of so-called part-time marketers in addition to the classical marketing specialists. In this situation, because the *implementation* of relationship marketing activities relies on the support of part-time marketers, it is necessary to create internal marketing processes to ensure the understanding and importance of the part-time marketers' duties and to teach them the necessary skills. As noted earlier, relationship marketing resources can and should be found throughout the company (see Grönroos, 1999). Therefore, the activities cannot be planned in the traditional, separate marketing plan. Instead, the impact of other resources such as human resources, investment in systems and equipment, research and development etc., must be recognized and such resources allocated accordingly.

In essence, Gronroos argues that a market orientation must be integrated through a market-oriented corporate plan as a governing relationship plan. This view is particularly significant, as it provides a link between market orientation and relationship marketing, and acknowledges the two concepts share common meanings and objectives. This is especially evident if we consider that customer focus is a common feature of market orientation and relationship orientation. However, it is important to emphasize that market orientation and relationship orientation are still two conceptually different constructs. For example, market orientation also focuses on competition (see for example (Jaworski and Kohli, 1993; Narver and Slater, 1990) while communication and interaction are at the core of relationship orientation (see for example Gronroos, 2004). The differences and similarities between relationship and market orientation, and a more detailed examination of the relationship orientation construct will follow in chapter 4 of the thesis.

With respect to the position of traditional market segmentation, it is argued that such a concept in its traditional form does not apply to relationship marketing (Grönroos, 1999). Traditional market segmentation is based on the concept of dividing the market in several internally homogeneous groups of (individually anonymous) customers (Kotler et al., 2009). The relationship marketing concept is based on relationships with identifiable individual customers, which requires rethinking the very concept of market segmentation and the process of identifying and defining relevant segments. This means that dividing the market into several homogeneous groups is a good start, but needs to be complemented with the use of more sophisticated data collection processes that include the compilation of various types of customer information files and customer databases (Grönroos, 1999; Gronroos, 1996). In this context, a continuous management of the customer base should not be interpreted as the single most important activity of relationship marketing, or as an attempt to criticize market research and market share statistics. Quite the contrary, this viewpoint merely emphasizes the importance of continuously monitoring customers' needs, wants and satisfaction, rather than doing occasional surveys. It also stresses the importance of assembling a customer data base that uses information obtained directly through continuous interactions between customers and employees, and combining these methods with market research and market share statistics. The importance of customer databases was later recognized by the traditionalist authors as well, although they tended to use the terms relationship marketing and customer database management as synonyms (Kotler et al., 2009)

In order to facilitate the overview of parameters that relate to relationship marketing, Gummesson (1994) compiled a list of 30Rs in an attempt to operationalize the theories of relationships, networks and interaction, making it more applicable for companies (see also Gummesson, 1997). He used the metaphor of the Russian wooden doll to describe various layers of relationships indicating their mutual dependence ranging from nano relationships to mega relationships (see Figure 1).

**Figure 1: Representation of relationships**



Nano relationships

Individual relationships

Mass marketing
relationships

Inter-organizational
relationships

Mega relationships
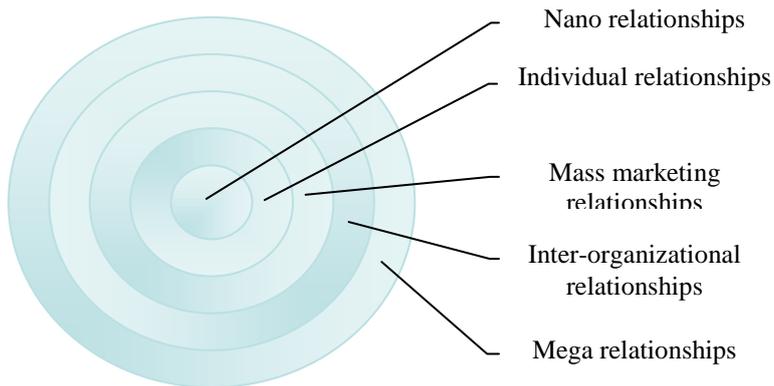
Source: adapted from Gummesson (1994)

According to Gummesson (1994) *Nano relationships* are internally directed and provide support to the market relationships from below (e.g. the market mechanisms that have been brought inside the company, the interhierarchial and interfunctional dependency etc.); while *Mega relationships* exist on levels above the market proper (e.g. megamarketing and megaaliances, but also to a certain degree personal and social networks). Since relationship marketing is identified as a process, emphasizes flows and context and can be considered as a holistic approach to marketing, Gummesson (1994) also identifies two key issues that have to be addressed in the marketing planning process, namely (1) Establishing the essential relationship portfolio for a specific business and ensuring quality management and (2) Calculation of the cost and revenue of the relationship and its contribution to profits from the portfolio.

To sum up, the first steps towards the operationalization of relationship marketing have been taken by Gronroos and Gummesson that attempted to highlight the critical concepts, activities, interactions and processes of relationship marketing. However, before adopting and implementing a certain approach, it is necessary to clearly define what is understood by the term/approach in question, what is its scope and key features – and this is precisely what these contributions give us. However, both of these contributions, although very useful, were still mostly conceptual, which resulted in concerns regarding the empirical validation and practical application. Although Gummesson (1994) pointed out to the need for further development of insights regarding the operationalization of relationship marketing and its empirical validation through qualitative and quantitative studies, relationship marketing received criticism as being in the formative stage of development as a research field, and was also described as being too theoretical (Kasabov, 2007; Palmer et al., 2005).

More specifically, Kasabov (2007) pointed out that certain conceptualizations of relationship marketing are still dominantly non-contingent, overly theoretical and biased towards the positive aspects of relationships, while almost completely neglecting the consideration of the negative (e.g. conflicts) (see for example (Hakansson and Snehota, 1995). Here, non-contingency refers to the need for a more comprehensive, inclusive take on relationship marketing, which considers specific contexts, issues and consumer groups (Kasabov, 2007). Additionally, it has been noted by several researchers that there is a considerable number of conceptualizations in relationship marketing lack empirical validation, such as processes, issues, dynamics (Kasabov, 2007) and the general empirical validation of relationship marketing outcomes and return on relationship marketing investments (Kasabov, 2007; Palmer et al., 2005). This trend, however, began to change in the late 1990s and especially during the 2000s. In this period we can observe a significant increase in contingent, empirical studies based on relational concepts and conceptualizations (see for example Brodie et al., 1997; Durvasula et al., 2000; Coviello et al., 2002; Ivens, 2004; Ivens and Blois, 2004; Jayachandran et al., 2005; Palmatier et al., 2006; Ivens and

Pardo, 2007), which have led to a "finer, more balanced and nuanced understanding" of relationship marketing (Kasabov, 2007, p. 95). Our research builds on these findings and conclusions by offering an operationalization of relationship marketing as a set of activities and behaviors, and empirically testing the link between relationship orientation and different aspects of company performance.

Finally, regardless of the criticism, relationship marketing authors have made notable contributions to marketing theory and practice. The further development of research in the field can take off in a number of directions. For example, Palmer et al. (2005b) made several suggestions: (1) an examination of the current state of relationship marketing, (2) research on the effective implementation of relationship marketing with special reference to managerial implications and identification of "best practices"; (3) exploration of the continuum of relationship marketing and the necessary prerequisites; and finally (4) analysis of the profitability of investment in relationship marketing by examining the contextual factors, case studies of implementation in practice, buyer-seller exchange situation matrix and the role of information technology (see also Webster, 1992; Kandampully and Duddy, 1999; Kasabov, 2007).

### 2.2.4. Concluding remarks

Since it appeared as a concept in the 1980s, relationship marketing was recognized and widely accepted by both academics and practitioners, citing it as "the future of marketing" (Kandampully and Duddy, 1999). Such growing interest of scholars in this "new marketing paradigm" resulted in numerous attempts to define the concept of relationship marketing from various perspectives and academic backgrounds. Although many of the definitions essentially shared a lot of common properties, a complete definition of relationship marketing should contain several key constructs that reflect creation, development, maintenance, interactivity, temporal dimension, emotional content and output (Harker, 1999). With this in mind, O'Malley et.al. (1997) and

Gronroos (1999) provided definitions of relationship marketing that can be considered most appropriate and complete.

However, the discussion on whether relationship marketing is a new and dominant marketing paradigm continues to this day. The relationship between the two paradigms – the more traditional, transactional paradigm – and the more flexible, relational paradigm, was well explained by Mattsson (1997). He argues that, if relationship marketing is observed in a narrow, limited view, it merely represents an elaboration of the transactional paradigm. The broader view, however, does in fact support the network, or relationship perspective of marketing. In that context, a significant contribution to understanding the similarities and differences between transactional and relational approach to marketing was given by Gronroos (1991, 1994, 1995), confronting the two approaches along a marketing strategy continuum. According to his views, which we adopt, the continuum reflects the *degree* to which a certain company is transaction or relationship oriented, based on several identified dimensions. Again, we emphasize the conclusion that very few companies today can be described as adopting one of the two extremes on the continuum. Rather, the majority of companies can be seen as being either dominantly transaction or relationship oriented.

The previously mentioned issues of a generally accepted definition and scope of relationship marketing, was, however, merely one of many problems the authors in the field had to overcome. The critics of relationship marketing highlighted several issues the field was facing, namely conceptualization, level of analysis, modeling, measurement, time, contextuality and contribution to theory and practice (Brodie et al., 1997; Fitchett and McDonagh, 2000; Lehtinen, 1996; Zineldin and Philipson, 2007). The 1990s and 2000s have been proven to be the critical periods for the development and maturity of relationship marketing, as most of the previously mentioned issues were resolved from a number of perspectives (Kasabov, 2007). The issues that are of our particular interest given our research topic is the question of an adequate operationalization of relationship marketing, and the empirical validation of the link

between relationship marketing and company performance. Based on the described criticism and issues of relationship marketing research by Kasabov (2007) and Palmer et al. (2005), and the early contributions of Gronroos and Gummesson that aim towards the operationalization of relationship marketing we will attempt to fill this gap in relationship marketing research.

In addition to developing an understanding of what relationship marketing is, its scope and relation to similar constructs, an operationalization of relationship marketing calls for a deeper understanding of its defining constructs. While the previous chapters helped define the broad concept of relationship marketing, we now turn to a detailed examination of its defining constructs, their measurement and role in relationship building and maintenance.

## 2.3. Defining constructs

### 2.3.1. Introduction

In the early years of development of the relationship marketing concept, the conceptualizations and empirical research were based on two main assumptions: (1) the *existence* of a relationship between two parties had not been questioned when conducting research and (2) relationships have been considered as beneficial. However, two important issues emerged in the early 1990s that required new conceptual developments in the field, namely (1) the question of circumstances and conditions that must exist before attempting to implement a relationship marketing program and (2) the question of legitimacy and need for differentiation between an interaction between the consumer and company, and an actual relationship between the two (Barnes, 1994).These issues were emphasized by other authors as well, acknowledging that certain conditions should be met in order to ensure the existence of a positive, stable relationship with a long-term perspective. Given the complex and process nature of relationships it is important to stress that the previously mentioned issues and questions appear in the relationship

marketing literature under several categories - as defining constructs, prerequisites, antecedents or elements, which may cause confusion. For the purposes of this thesis, we will refer to these conditions as defining constructs.

One of the first to tackle the question of circumstances and conditions that had to be met was Berry in 1983 who emphasized there has to be willingness and motivation on both sides to engage in a relationship, and that such willingness and motivation should not be conditioned or controlled through limited supply or high exit barriers that force the partners to continue the relationship (Berry, 2002). This situation is often referred to as "locking-in" the customer, and is related to a specific type of relationship commitment also known as continuance commitment. For example, customers feel committed to keeping a relationship with the company because they feel ending a relationship would result in high economic or social costs or are simply unable to exit the relationship due to legal issues (Fullerton, 2005). This is especially evident in the financial sector with various loans and mortgages that are preventing customers to switch banks and, therefore, terminate what is considered a "relationship" (Barnes, 2003; Fournier et al., 1998; Fullerton, 2005).

The second issue is closely related to the first as it emphasizes the need for differentiation between a transaction, an interaction and an actual relationship. For example, Barnes poses a question " Is it legitimate even to use the term "relationship" to refer to the interaction between an end consumer and a large company or other collective?" (Barnes, 1994, p. 561). Based on Barnes' observations, we can ask an additional question – what constitutes an *actual* relationship? In other words, what characteristics does a relationship between two or more parties have to have to even be considered a relationship? These and other similar questions resulted in the conceptualization of several constructs that are now considered of great importance for relationship marketing that, provided they are present on both sides, determine the existence of a relationship between two or more parties (Arnett et al., 2003; Morgan and Hunt, 1994).

As mentioned earlier, understanding the key defining constructs and their role in relationship building is crucial for the planning and development of relationship marketing programs and activities. Additionally, it helps both researchers and practitioners differentiate between a transaction, interaction and a relationship. For example, while interaction and communication are important factors in relationship building and maintenance, they are not the only factor that needs to be considered, and by far not the only factor that defines a real relationship. Aside from the willingness to be in a relationship, the communication and interaction, other factors and constructs need to be considered such as mutual trust, commitment, cooperation etc. Without these, it is difficult to argue that a true relationship exists between two or more parties. Therefore, the main purpose of this chapter is to provide a detailed overview of the key defining constructs of relationships, and explain their role and importance for relationship building and maintenance.

### 2.3.2. Overview of defining constructs

As mentioned earlier, some of the central defining constructs of relationships are  the concepts of *promise* (Calonius, 1988; Grönroos, 1990; Gronroos, 1994), *trust* (Hunt et al., 2006; Moorman et al., 1993; Morgan and Hunt, 1994), and *commitment* (Fullerton, 2005; Moorman et al., 1993). It is argued that, for a real, long-term, profitable relationship to exist, each partner has to be able to fulfill the promises, be trustworthy and committed (Adamson and Handford, 2003; Anderson and Weitz, 1992; Hewett and Bearden, 2001). With this in mind, most authors approached promise, trust and commitment form an affective, rather than behavioral standing point, and have explored these concepts in B2B and B2C contexts alike (Cannon and Perreault, 1999; Diaz Martin, 2005; Ganesan, 1994; Morgan and Hunt, 1994). Other related constructs, such as cooperation, communication and shared values on the other hand, were approached from a more behavioral standing point, and explored dominantly in B2B contexts (J. C. Anderson et al., 1994; Cannon and Perreault, 1999; Mohr and Spekman, 1994; Mohr et

al., 1996; Rindfleisch and Moorman, 2003), with more recent research on defining constructs focused on the relations between them.

For example, trust is the necessary prerequisite of communication and information sharing (Cannon and Perreault, 1999). Anderson and Weitz (1992) have shown that communication plays an important role in achieving greater coordination and commitment in buyer-seller relationships in business markets, while Ganesan (1994) argued that long-term orientation (which Anderson and Weitz (1992) refer to as commitment) is a function of trust and mutual dependence, which, in turn, leads to better cooperation. These and other related topics pertaining to promise, trust, commitment, cooperation and communication will be addressed next.

The promise concept has been introduced to the marketing literature by Calonius in the 1980s, and defines it as "…an explicitly expressed conditional declaration or assurance made to another party, or to oneself, with respect to the future, stating that one will do or refrain from some specific act, or that one will give or bestow some specific thing" (Calonius, 1988, p. 92). In the context of relationship marketing, this implies that a firm that is preoccupied with giving promises may attract new customers and initially build a relationship; however, if the promise is not met, the relationship cannot be maintained or enhanced (see Berry, 1995; Calonius, 1988; Gronroos, 1994). The importance of keeping promises has further been emphasized by the claim that, as the firm offering becomes more and more complex and less standardized, companies need to regain the total customer management process for marketing through the promise management approach that goes beyond a predetermined set of variables typical of conventional marketing and focuses on a process view (Grönroos, 2009). Enabling promises, promise making and promise keeping therefore becomes an integral part of relationship marketing that must be supported by internal marketing, development of customer-focused goods and services and other tangible items, service processes, technologies as well as appropriate leadership (Grönroos, 2009). Finally, Gronroos (2009) concludes that adopting a promise management approach can help in spreading the customer focus outside the

marketing sphere and throughout the organization, which is one of the key elements for the success of relationship marketing.

Another key defining construct, often described as central for the relationship marketing approach is trust. It is argued that the use of resources has to be done in such a manner that the customer's trust in the resources involved in, and, thus, in the firm itself is maintained and strengthened (Grönroos, 1990). Other authors have also repeatedly identified trust as an essential element of a relationship (Barnes, 1994) along with several other elements such as commitment, caring, support, loyalty, honesty, trustworthiness, respect, affection etc. (see Duck, 1991; Gupta, 1983; Rusbult and Buunk, 1993). For example, Morgan and Hunt (1994) refer to trust and commitment as key elements that encourage marketers to work at preserving relationship investments, resist attractive short-term alternatives and view potentially high-risk actions as being prudent because of their relationship with their partners. It is important to note that Morgan and Hunt (1994) define relationship marketing in a somewhat broader sense than Gronroos (whose definition is the most widely accepted and cited) in order to cover all forms of relational exchange (e.g. strategic alliances, internal marketing or co-marketing alliances) as opposed to being limited only to buyers or customers. They therefore use the term "partners" as key actors in various relational exchanges and argue trust and commitment are crucial factors in producing outcomes that promote efficiency, productivity and effectiveness.

Trust is conceptualized as "…existing when one partner has confidence in an exchange partners' reliability and integrity" (Morgan and Hunt, 1994, p. 23) which is in line with similar definition of trust by Moorman et al., (1992): "…willingness to rely on an exchange partner in whom one has confidence" (p. 315). The literature suggests the concept of trust can be approached from two standing points – affective and behavioral (Moorman et al., 1993).   The affective approach defines trust as "…a belief, confidence, or expectation about an exchange partner's trustworthiness that results from the partner's expertise, reliability, or intentionality" (Moorman et al., 1993, p. 82). From a behavioral

standing point, trust reflects „...a behavioral intention or behavior that reflects a reliance on a partner and involves vulnerability and uncertainty on the part of the trustor" (Moorman et al., 1993, p. 82). The authors argue that trust is limited if one only believes a partner to be trustworthy (affective component of trust) but is not willing to rely on the partner (behavioral component of trust). Still, trust has been dominantly explored as a belief rather than behavior, and operationalized as a one-dimensional construct (see for example Anderson and Narus, 1990). However, to examine the impact of trust on long-term orientation, Ganesan (1994) operationalized trust as a multidimensional construct consisting of credibility and benevolence, since it „offers greater diagnosticity with respect to the effect of trust on long- and short-term orientation" (p. 3). Since then, trust has been conceptualized and measured as a multidimensional construct consisting of integrity/confidence, ability/competence and benevolence (Urban et al., 2009) and tested in the online environment (also referred to in the literature as e-trust; see for example Ha, 2004).

It is interesting to note that trust is one of the few constructs (along with communication) that has been explored in an online setting. While offline and online trust are intertwined, it is important to understand its similarities and differences in order to manage it effectively. As Shankar et al. (2002) point out, online trust had initially been considered as an issue of Web-site security but has gradually evolved to a complex construct that has several important antecedents and consequences that need to be considered. In that context, greater knowledge of the antecedents and consequences of online trust can help managers develop better online strategies. For example, in their examination of the drivers of online trust Bart et al. (2005) identified 8 key drivers, namely privacy, security, navigation and presentation, brand strength, advice, order fulfillment, community features and absence of errors. What is important to note is that the importance of these tends to vary depending on the industry (e.g. privacy is especially important for travel, e-tail and community Web sites). As the key outcomes of online trust, the authors identify behavioral intent (e.g. buying intention) as the key outcome of online trust (Shankar et al., 2002; Sultan and Rohm, 2004). Finally, with the growing

interest of both consumers, practitioners and academics in social media, trust in social networks emerged as one of the top research priorities in 2012-2014 for the Marketing Science Institute.

Commitment has been conceptualized from various perspectives, including social exchange (Cook and Emerson, 1978), organizational behavior (Jafri, 2010; Sahertian and Soetjipto, 2011), buyer behavior (Moore, 1998; Rutherford et al., 2008) and services relationship marketing (Bendapudi and Berry, 1997; Morgan and Hunt, 1994). Relationship commitment has been similarly defined by various authors as "…enduring desire to maintain a valued relationship" (Moorman et al., 1992, p. 316); "…exchange partner believing that an ongoing relationship with another is so important that as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely" (Morgan and Hunt, 1994, p. 23).

Even though commitment, similarly to trust, has been conceptualized as both affective and behavioral, it is important to stress that in the relationship marketing literature commitment is dominantly defined and operationalized as affective rather than behavioral (Fullerton, 2005). One of the main reasons is that behavioral commitment (often referred to as calculative commitment) is based on cognitive evaluations of the instrumental worth of a continued relationship with the organization (Wetzels et al., 1998). As it is rooted in evaluations based on switching costs, sacrifice, lack of choice and dependence (Barnes, 2003; Berry, 1995; Fullerton, 2005), rather than affective evaluations (e.g. trust, relationalism etc.), it is considered by some authors as representing the "dark side of relationship marketing" (Fullerton, 2005). Affective commitment on the other hand, exists when the individual consumer identifies with and is attached to their relational partner (Morgan and Hunt, 1994; Fullerton 2005). With this in mind, it is no surprise that various authors viewed affective commitment as being central for the development of relationships (Berry and Parasuraman, 1991)and achieving valuable outcomes for partners in a relationship (Morgan and Hunt, 1994;

Wetzels et.al. 1998). These valuable outcomes range from increased loyalty and advocacy decreased propensity to leave the relationship and increased cooperation (Morgan and Hunt, 1994) to higher organizational performance (Jafri, 2010).

In addition to the concepts of promise, trust and commitment, the concept of communication has been gaining momentum in the relationship marketing literature, especially when combined with the benefits of internet and web 2.0 (Gronroos, 1994; Jayachandran et al., 2005; Ramani and Kumar, 2008). Anderson and Narus (1990) define communication as "…the formal as well as informal sharing of meaningful and timely information between firms" (p. 44). This definition is very similar to a definition of a related construct, information sharing, defined as "…expectations of open sharing of information that may be useful to both parties" (Cannon and Perreault, 1999, p. 441). Various authors have argued the importance of communication in relationship building and maintenance. For example, Morgan and Hunt (1994) assert that communication is a necessary prerequisite of trust and commitment. Similarly, Moorman et al., (1993) conclude that sincere and timely communication, is crucial for developing trust, because "when users sense that researchers are sincere or "truth tellers" ... they extend trust because doing so lessens the vulnerability and uncertainty..." (p. 84).

In a B2B context, Mohr and Spekman (1994) claim communication behavior is crucial in order to achieve the benefits of collaboration, and conceptualize it as consisting of three aspects: (1) communication quality, (2) information sharing and (3) participation. Finally, it is argued that communication influences commitment both indirectly (Morgan and Hunt, 1994) and directly (Anderson and Weitz, 1992; Mohr et al., 1996). Even though communication has dominantly been examined in the B2B context, the same logic applies to the B2C markets. As Gronroos (1994, 1996) suggests, relationship marketing is not only limited to the B2B context, and that a focus on activities that result in relational bonds can be beneficial to the company. Furthermore, in his definition of relationship marketing, (Gummesson, 1997) addresses the central role of interaction in relationship marketing defining it as "…a marketing approach that is based on

relationships, interactions and networks" (p. 268). Finally, as Gronroos (2004) points out, a successful implementation of relationship marketing relies on a shift of focus and special emphasis on three core areas: (1) interaction process, (2) planned communication process and (3) value process. As Schultz (1996) points out „the future is one-to-one marketing and communication, based on behavior more than attitudes and driven by databases and new electronic delivery systems" (p. 139), which is rooted in the concepts of relationship marketing. Additionally, given that, in relationship marketing, it is the customer who is at the core rather than the product, the management of an interaction, represented by the people, technology, systems and know-how, has to be at the core of relationship marketing activities and processes (Gronroos, 2004; Jayachandran et al., 2005; Ramani and Kumar, 2008).

Finally, a successful relationship marketing strategy is dominated by planned communication and interaction processes that, when integrated and implemented successfully, may result in a long-term relationship with the customer (Grönroos, 2011; Gronroos, 2004; Gronroos et al., 2000; Jayachandran et al., 2005; Lindberg-Repo and Grönroos, 2004). In more recent year, the importance of interaction for developing and maintaining relationships has further been conceptualized and operationalized through the concept of interaction orientation (see for example Ramani and Kumar, 2008). These and similar concepts will be addressed later in more detail.

The final defining construct of relationship marketing – cooperation (also referred to in the literature as working partnerships) – has mainly been addressed from a business perspective, and refers to situations in which parties work together to achieve mutual goals (Anderson and Narus, 1990; Morgan and Hunt, 1994). In their definition of cooperation, Anderson and Narus (1990) see coordination as a related construct and consider it an integral part of cooperation. In addition, Mohr and Spekman (1994) argue that without coordination, cooperation and planned mutual goals cannot be met. A similar definition of cooperation has been offered by Cannon and Perreault (1999) in which they define cooperative norms as "expectations the two exchanging parties have

about working together to achieve mutual and individual goals jointly" (p. 443). This does not mean that one of the partners will adapt to the other one's needs, but that both partners understand and behave in a manner that brings the most benefit to both parties involved (Anderson and Narus, 1990). In the hierarchy of influences of various defining constructs of relationship marketing, cooperation is the only one that is directly influenced by trust, commitment and communication (Anderson and Narus, 1990; Anderson et al., 1994; Morgan and Hunt, 1994). In terms of its measurement, cooperation has been operationalized as reflecting joint responsibilities, concern about the partners' profitability, reciprocity and dedication to mutual goals (see for example measurement scales developed by Anderson and Narus, 1990; Cannon and Perreault, 1999)

Although the aforementioned defining constructs have been conceptualized and empirically tested in a number of studies, some authors were more inclined to viewing relationship marketing dominantly through customer database development and maintenance (see Petrison and Wang, 1993; Petrison et al., 2006), which was heavily criticized of not meeting the necessary prerequisites of relationship formation i.e. issues related to the nature of relationships with respect to the mutual consensus to enter and maintain a relationship (Barnes, 2003, 1994; Hogg et al., 1993). For example, Petrison and Wang (1993) linked the establishment of a relationship with customers directly to the availability of database technology as it enables the company to know their customers' needs, likes and dislikes. While this may be true to a certain extent (see Gronroos, 1994), database management and monitoring is only one component of relationship marketing, and does not imply such companies will be able to maintain or enhance such relationships without the adoption and application of the concepts such as promise, trust, commitment etc. (Crosby et al., 1990; Peck, 1993). Moreover, Barnes (2003) argues that creating meaning for customers and developing a true relationship with them requires more than mere database management and research into the use of company's products or services. This spans well beyond customer satisfaction and customer loyalty research that is usually performed by the companies, and implies

conducting qualitative research to gain a deeper insight into customers' needs and problems and enable the company to develop and offer a potential solution to that problem.

### 2.3.3. Concluding remarks

The importance of understanding the defining constructs of relationships is twofold. First, it facilitates the understanding of what constitutes a relationship – more specifically, what is a relationship and what cannot be considered as one. This point is important to take into account when conducting research on relationship marketing. Assuming that there is a relationship, where in fact none exist, can pose a serious threat to validity and overall quality of research based on poor construct conceptualization (for a detailed analysis of the impact of poor construct conceptualization on marketing research see MacKenzie, 2003). An issue related to the first one, which we addressed in more detail earlier in the chapter, is the differentiation between a transaction, interaction and a relationship. Here, we go back to the example of the banking sector, and the situation of "customer lock-in" described by Barnes (1994). The situation clearly reflects the common misinterpretation of a "relationship" between the company and the customer, when, in fact, it should be referred to as a transaction or interaction at best.

While we acknowledge the diverse approaches and perspectives when determining what constitutes a relationship (for example behavioral vs. attitudinal), we rely on the perspective that is based on relational intent and relational norms. In that context, developing an understanding of the differences between a transaction, interaction and a relationship is essential. The key difference between a transaction, interaction and a relationship can be determined based on an understanding of the defining constructs of relationships. For a real relationship to exist, *both* parties have to enter the relationship *willingly*, and work on the *development* and *maintenance* of that relationship by ensuring *mutual* trust, commitment and cooperation, as well as communication and information sharing. As Peck (1993) emphasized, for a relationship to be successful in the long run, it

is essential to develop and maintain trust, but also pointed out the importance of keeping promises and the assurance of commitment from both parties (Barnes, 1994).

Although there has been substantial research on the defining constructs of relationship marketing, an integrated and systematic approach has been called for in order to fully examine such constructs from both the company and consumer perspective. For example, researchers have been highly engaged in conducting studies that examine trust and commitment and their role and importance in relationships. Additionally, a significant body of research has been developed around cooperation and working partnerships. However, most studies do not develop or test a model that incorporates all of the key defining constructs nor do they explore the full extent of the linkage between them. Only partial evidence exists of the link between trust and communication (Cannon and Perreault, 1999), communication and commitment, or commitment, trust and cooperation. For example, Anderson and Weitz (1992) have shown that communication plays an important role in achieving greater coordination and commitment in buyer-seller relationships in business markets, while Ganesan (1994) argued that long-term orientation (which Anderson and Weitz (1992) refer to as commitment) is a function of trust and mutual dependence, which, in turn, leads to better cooperation. Therefore, by providing a detailed overview of the defining constructs, we set the base for the development of an integrated model that would link all of the previously identified defining constructs, as opposed to existing research in the field that only addressed a few specific constructs (e.g. Morgan and Hunt (1994) explored in detail the link between trust and commitment while other constructs have been marginalized).

To conclude – relationships are a matter of (at least) two parties that have to be willing to invest time, effort and other resources. However, being a matter of at least two parties, regardless of the company's efforts to develop and maintain a relationship, it is the customer that has to both recognize and accept relationship-building activities and behaviors of marketers. In essence, both parties have to acknowledge and invest in the relationship in order to qualify one as such. The role of the company in that context is to

meet the necessary demands in order to achieve high levels of emotional value for the customer (or partner) and a relationship with the customer (Barnes, 2003). More specifically, any company that attempts to develop customer value through partnering activities – namely cooperation and communication - is more likely to create greater bonding, and the more committed the customer becomes the greater the customer loyalty (Sheth and Parvatiyar, 1995).

## 2.4. Relationship outcomes

### 2.4.1. Introduction

Regardless of the business model the company is using, and no matter in which way it approaches its customers and stakeholders, the company will attempt to align its activities with one goal in mind – high performance. Companies that implement a relationship-marketing program have acknowledged the importance of developing and maintaining long-term relationships, and, as a consequence, have identified several subsets of objectives closely related to the successful implementation of various relationship marketing programs. This is also evident in the relationship marketing literature that identifies a number of outcomes of such programs (Das, 2009). Among these, several relationship outcomes stand out as the most frequently researched and cited, namely: customer satisfaction, customer loyalty, share of customer and customer retention (Das, 2009; Ndubisi, 2006; Verhoef, 2003).

Of the more relationship specific outcomes, the concept of return on relationship has been conceptualized by Gummesson (2004), while the more "generic" outcomes traditionally include sales, market share, returns and profits (Palmatier et al., 2006a, 2006b; Reinartz and Kumar, 2000). Hunt et al. (2006) summarized the outcomes of successful RM-based strategies as the following: improvements in competitive advantages in the marketplace, superior financial performance, customer satisfaction, organizational learning, partners' propensity to stay, acquiescence of partners and

finally, decreases in uncertainty. It is also important to emphasize that none of these outcomes are independent. Additionally, establishing strong and enduring relationships also implies that the access to customers is cheaper and easier, customer acquisition as well as retention is improved making the brand more profitable (Pepper and Rogers, 1993; Sheth and Parvatiyar, 1995).

More specifically, Sheth and Parvatiyar (1995) argue that the consequences of a relationship marketing program can and should be examined from both the customer and company perspective. From the customer's perspective, the key benefits of forming relationships with companies and brands, for example, include greater efficiency in decision making, reducing the task of information processing, and reduction of perceived risk. For the company, on the other hand, the benefits of investing in relationships mainly include improvements in marketing productivity (e.g. customer retention, productivity of resources etc.). Although we do not contest the benefits of relationships for customers, this is not the primary focus of this work. We will therefore address the main relationship outcomes for the company in the rest of this chapter.

### 2.4.2. Overview of key relationship outcomes

Customer satisfaction is often cited as an inevitable outcome of a successful relationship. It is defined as a measure of how products and services supplied by a company meet or surpass customer expectations (Kotler et al., 2009). Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals" (Farris et al., 2010, p. 253). It is important to distinguish between two main types of satisfaction, namely economic and noneconomic satisfaction (Geyskens et al., 1999). The economic satisfaction is more specific for B2B contexts, and has been examined in channel relationships (Geyskens et.al., 1999). According to the authors, economic satisfaction reflects channel members' positive affective response to the economic awards that result from the relationship (e.g. sales volume, margins), while noneconomic

satisfaction reflects the members' positive affective response to the more psychological aspects of the relationship (e.g. interactions with the partner) (Dwyer and Gassenheimer, 1992; Geyskens et al., 1999). Anderson and Narus (1990) used a similar approach to satisfaction in their empirical examination of manufacturer-distributor working partnerships. For the two authors, satisfaction is defined as „a positive affective state resulting from the appraisal of all the aspects of a firm's working relationship with another firm" (Anderson and Narus, 1990, p. 45) .

Satisfaction in B2C markets has been explored with regards to many related variables and contexts (e.g. services vs. products, various settings, industries etc.) that typically aim at establishing the benefits of customer satisfaction for companies. Garbarino and Johnson (1999) define overall satisfaction (or cumulative satisfaction) as an „overall evaluation based on the total purchase and consumption experience with a good or service over time" (p. 71) (see also Anderson et al., 1994, p. 54). This can be contrasted with transaction-specific customer satisfaction that reflects the affective response to the most recent transaction experience (Garbarino and Johnson, 1999; Oliver, 1994). The construct itself, can be, and usually is measured along various dimensions. As research on consumption experiences grows, evidence suggests that consumers purchase goods and services for a combination of two types of benefits: hedonic and utilitarian. Hedonic benefits are associated with the sensory and experiential attributes of the product, while utilitarian benefits of a product are associated with the more instrumental and functional attributes of the product  (Batra and Ahtola, 1991). One of the widely-accepted (both in practitioner and academic circles) measures of customer satisfaction is the American Customer Satisfaction Index (ACSI). It was introduced in the academic literature during the 1990s as a new type of customer-based measurement systems for evaluating and enhancing the performance of firms, industries, economic sectors and national economies (Fornell et al., 1996). It measures the quality of the good and services as experienced by the customers that consume them, and, at the company level, represents the  customers' overall evaluation of total purchase and consumption experience – both actual and anticipated (see Anderson et al. (1994) for details).

Additionally, the works of Parasuraman, Zeithaml and Berry between 1985 and 1988 provide the basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the measurer with a satisfaction "gap" which is objective and quantitative in nature. In an empirical study comparing commonly used satisfaction measures it was found that two multi-item semantic differential scales performed best across both hedonic and utilitarian service consumption contexts. More specifically, studies by Wirtz and Le (2003), they identified a six-item 7-point semantic differential scale (e.g., Oliver and Swan (1989), that consistently performed best across both hedonic and utilitarian services.

However, the vast interest of academics and practitioners in the construct and the significant body of literature that examines the construct form various perspectives and has reported mixed results. It is therefore becoming more difficult to distinguish between the antecedents and consequences of customer satisfaction (Szymanski and Henard, 2001). For example, Fornell et al. (1996) view perceived quality, perceived value and customer expectations as antecedents of overall customer satisfaction, while reduced customer complaints and increased customer loyalty are seen as outcome. While there is no dispute in the notion that expectations precede satisfaction, and that reduced customer complaints and higher loyalty are outcomes, major disagreements emerge when we look at the relationship between satisfaction and other constructs such as customer share, performance, trust and commitment. In their meta-analysis of empirical evidence pertaining to customer satisfaction, Szymanski and Henard (2001) identified expectations, disconfirmation of expectations, performance, affect and equity as antecedents of satisfaction, while complaining behavior, negative WOM behavior and repeat purchasing as outcomes, with a number of variables that might moderate satisfaction. Other authors however, examined the role of satisfaction in relationship duration (Bolton, 1998). The results of her study indicated that there is a positive link between customer satisfaction and retention, since satisfaction levels explain a

substantial proportion of explained variance in duration of the relationship. This, the author argues, speaks in favor of the positive satisfaction-retention link.

Similar conclusions can be found in a later study by Gustafsson et al. (2005) who examine the impact of commitment and satisfaction on retention. However, there are also issues that emerge from these models, dominantly in the discussion whether constructs such as trust and commitment precede satisfaction (as integral parts of a relationship itself), or can in some cases be treated as outcomes of satisfaction (see for example Brown et al., 2005; Gustafsson et al.,2005). Finally, we can conclude that, even though most marketing managers and academics agree customer  satisfaction is of strategic importance to most firms (Mittal and Kamakura, 2001), the research on the relationships between satisfaction and other related constructs reported mixed results (see Luo and Homburg, 2007; Szymanski and Henard, 2001). However, loyalty, as the most cited outcome of satisfaction and will be addressed next in the chapter.

Customer loyalty is seen in the literature as one of the main outcomes of relationship marketing (Kressmann et al., 2006) and more specifically, customer satisfaction (Dholakia and Morwitz, 2002; Luo and Homburg, 2007). It has been defined as "…a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviors (Oliver, 1999, p. 34). This definition views loyalty from a behavioral perspective, but it is important to stress that it can also be defined from an attitudinal perspective (Javalgi and Moberg, 1997). While loyalty from a behavioral standing point is focused on the number and frequency of purchases, loyalty from an attitudinal perspective focuses on consumer preferences and addiction to brands.

Traditionally, loyalty has mostly been examined from an affective stand point (e.g. likelihood of repurchasing, intentions, recommendations to others etc., see  Johnson et al., 2006) but more recent studies use longitudinal data that combine survey measures

with actual behaviors in order to establish a causal relationship between intention or perception and actual behavior (see Verhoef, 2003). According to Gustafsson et.al. (2005) loyalty can be interpreted as actual retention, and a cornerstone of RM programs and strategies aimed at customers. In their study, they use loyalty and retention as synonyms, and operationalize customer retention using the degree of churn that occurs in a customer's use of a specific product or service.

While loyalty has traditionally been linked to satisfaction, there are more elaborate models that link loyalty to other constructs, especially in the relationship marketing and service marketing literature. For example, Storbacka et al. (1994) developed a model that explores the link between prior experiences, satisfaction, loyalty and profitability. More specifically, they argue that relationships are essential in making customers loyal, what in most cases determines profitability (Storbacka et.al., 1994). The underlying logic of such reasoning is that keeping existing (loyal) customers is more cost-effective, which, in turn, leads to higher company profits.

However, while this may be true, in the model presented by the authors, customer loyalty is determined by three factors: relationship strength, perceived alternatives and critical episodes. More specifically, the relationship may end in case one of the following occurs: 1) the customer moves away from the company's service area, 2) the customer no longer has a need for the company's products or services, 3) more suitable alternative providers become available, 4) the relationship strength has weakened, 5) the company handles a critical episode poorly, 6) unexplainable change of price of the service provided. It is important to note that the authors acknowledge loyalty as a relationship outcome may depend on factors that are external to the relationship (e.g. available alternatives) which they refer to as relationship extrinsic factors. Such an understanding may help explain the impact of relationships on a number of possible outcomes – both general and relationship-specific. More precisely, it stresses the need to consider other factors that influence customer loyalty beyond the relationship-loyalty link.

These contributions encouraged researchers to explore the matter in more detail. Empirical evidence showed that even though customers were satisfied with a product or service, they would still defect, which in turn resulted in new contributions that attempted to identify the critical factors that can help maintain and enhance long-term loyalty. Agustin and Singh (2005) used structural equation modeling to test the relationship between transactional satisfaction, relational trust, relational value and loyalty intentions in two distinct service contexts. Homburg and Fürst (2005) explored how organizational complaint handling drives customer loyalty by contrasting the mechanistic and organic approach. The results have shown that the benefits of a mechanistic approach (i.e. one based on establishing guidelines) is more suitable for B2C than B2B settings, and more suitable for service than manufacturing firms.

This brings us to the final point, and that is the role of different environments and contexts on the satisfaction-loyalty link. In business markets, for example, the traditional link between satisfaction and loyalty is very weak or even absent (Narayandas, 2005). The reason for that, van Doorn and Verhoef (2008) argue, is that in most mature, ongoing relationships in the B2B market, relationships tend to be characterized by the inertia that causes companies to maintain the status quo. They continue by identifying specific circumstances – critical incidents - in which such relationships may destabilize, and examine the impact such incidents have on satisfaction and loyalty. They propose and test a model in which customer share (which they use to measure customer loyalty) is influenced by its lag, current service satisfaction and price satisfaction, with the previously mentioned critical incidents as moderator variables. Customer share, as an indicator measuring customer loyalty, has been evaluated with a single-item measurement in which customers indicated the customer share they have with the company on a six-point scale. They found that, depending on the relationship quality, critical incidents may even have a positive impact on customer share if the relationship quality is high. Verhoef, (2003), however, proposed a more objective measure of customer share, based on the definition of Peppers and Rogers (1999): "customer share is defined as a ratio of customers' purchases of a particular category of products or

services from supplier X to the customer's total purchases of that category of products or services from all suppliers" (p. 31).

More recently, attention has shifted to the evaluation of satisfaction and loyalty in online environments. Similar to trust, it has been noted that there can be an apparent transfer of offline satisfaction and loyalty to online environments, taking into consideration the contextual specificities. For example, Shankar et al. (2003) investigated the impact of the online medium on satisfaction and loyalty, as well as the relationship between them. The research has shown that the online medium does not influence overall or service encounter satisfaction, but it does have a positive, statistically significant influence on loyalty. Furthermore, it has been confirmed that the online medium moderates the relationship between customer satisfaction and loyalty. More specifically, it was found that the positive impact of loyalty on satisfaction is higher in online than in offline contexts. While the earlier years of research of online loyalty were focused on determining the degree of influence of the online environment, attention later shifted to the identification of the drivers or antecedents of online loyalty. In that context, a number of possible antecedents have emerged in the literature. For example, Kwon and Lennon (2009) explored the impact of offline brand image, online brand image and online perceived risk on online loyalty. Their study confirmed a significant influence of offline brand image on online brand image and online customer loyalty. Interestingly, online perceived risk did not have a significant impact on online loyalty. In addition to these, Caruana and Ewing (2010) identified several "online" and "offline" factors that may influence online loyalty, such as corporate reputation, perceived value, privacy/security, website design, customer service and fulfillment/reliability. Their research has shown that corporate reputation, perceived value and website design have a positive impact on online loyalty. With the emergence of social media, attention now turns to the development of loyalty in online communities. For example, Teng et al., (2012) conducted a study that examines loyalty in online gaming communities and identified new specific drivers of loyalty in this specific context, such as enjoyment,

flow, playfulness, customization, immersion satisfaction and entertainment, but also – player interdependence.

Finally, to answer the omnipresent dilemma – Do relationship marketing programs pay off? – Gummesson (2004) presented the concept of "return-on-relationships" (ROR), defined as "the long-term net financial outcome caused by the establishment and maintenance of an organization's network of relationships" (Gummesson, 2002a). He argues that ROR can be enhanced by changing the balance between quality, productivity and profitability, and, consequently, change the effects on revenue, cost, and capital employed. Even though ROR was initially developed for B2B contexts, Gummesson suggests further research and practice to expand to other types of relationships.

### 2.4.3. Concluding remarks

There are a number of outcomes of relationship marketing, ranging from the more traditional such as sales, profits and market share to the less tangible, more relationship-specific outcomes such as customer satisfaction and loyalty. Hunt et al. (2006) summarized these outcomes as: improvements in competitive advantages in the marketplace, superior financial performance, customer satisfaction, organizational learning, partners' propensity to stay, acquiescence of partners and finally, decreases in uncertainty. As the concept of relationship marketing gained momentum, several new performance indicators were developed – such as the Gummesson's ROR – in an attempt to explain the financial benefits of relationship investment and maintenance.

Researchers have evaluated the previously mentioned relationship-specific outcomes from a number of different perspectives. These include the evaluations of satisfaction and loyalty depending on the company's market (B2B vs. B2C) or offer focus (products vs. services) with different approaches to defining and measuring satisfaction and loyalty. For example, economic satisfaction is more common in B2B markets, while noneconomic satisfaction in B2C markets, with different approaches to its measurement

ranging from customer to company-based measures. Loyalty as a key relationship outcome has been mostly explored in B2C settings, and observed as either affective or behavioral. Additionally, research suggests that, even though satisfaction and loyalty are considered as key relationship outcomes, there are other factors that influence them, and that are external to the relationship itself. Depending on the circumstances, this may help explain why in certain situations relationship marketing programs and investments do not necessarily yield the desired results.

Finally, with the development of the Internet, the researchers began exploring how the online environment influences both satisfaction and loyalty. It has been shown that the online medium has an impact on customer loyalty, and the satisfaction-loyalty link. Moreover, an examination of key drivers of online loyalty revealed that there is a unique combination of offline (e.g. corporate reputation) and online (e.g. website design) factors that bear on online loyalty. It is important to note that some of these factors seem to be highly dependent on the type of the online platform that is being used. For example, in case online loyalty is examined for a platform such as a website, design and navigation play an important role, whereas with various social media platforms other factors such as dialogue, responsiveness, engagement etc. may play a critical role.

To conclude, as shown above, building strong relationship with consumers can have a number of benefits for companies and brands and therefore, the relevance of fostering relationships becomes obvious. The online media, especially online communities and various social media platforms, offer companies and brands unique opportunities to develop relationships with users. These and other related issues will be examined in the next chapter.

# 3. SOCIAL MEDIA

## 3.1. Introduction

In this chapter, we address the nature and specificities of social media, and the impact it had on marketing theory and practice. We start by defining the construct and looking into its development in the past decade, followed by an examination of social media types, strategies and an overview of relevant social media research.

With the appearance of the web in the mid-1990s, marketing had to reinvent itself in terms of both vision and practice. The term "digital revolution" became frequently used to refer to the rapid changes in technology and, that have had, as a consequence, a deep impact on marketing theory and practice (Hoffman and Novak, 1996; Shankar and Malthouse, 2009; Varadarajan and Yadav, 2002, 2009). In other words, marketing had to transform from the more "traditional" unidirectional, broadcasting-based marketing to an approach based on interactivity, personalization, real-time and collaboration with a community of users (see Kozinets et al., 2010). The paradigm shift is even more evident if we observe the changing role of the Internet in marketing strategies, that have experienced major changes over the years (Varadarajan and Yadav, 2009). What first started as an attempt to use the Internet for the purposes of revenue generation, disintermediation and communication of web site content, later became a matter of achieving value chain efficiencies through cost reductions and building and enhancing customer and channel relationships (Barwise and Farley, 2005; Sultan and Rohm, 2004).

Several authors have identified drivers of changes in marketing strategies, that we group into four main areas: (1) company-driven factors (e.g. IT resources and skills, product characteristics, increased customer focus, cost reduction), (2) customer-driven factors (e.g. customer empowerment), (3) technology-driven factors (e.g. web 2.0 technologies, diffusion of mobile, smart phones and tablets, location-based services) and (4) industry-driven factors (e.g. channel characteristics, market thinness) (see Barwise and Farley, 2005; Deighton and Kornfeld, 2009; Labrecque et al., 2013; Varadarajan and Yadav,

2009). It is important to note that, among these drivers, social media and web 2.0 technologies can be seen as dominant drivers, since they are at the core of the technology-driven factors, and also have an impact on the other three groups of factors.

This clearly shows that the widespread use of the internet has significantly changed not only the consumers' methods of accessing content, but has also influenced the way companies and brands approach the consumers and interact with them. Moreover, Hennig-Thurau et al. (2013) argue that social media has had such a profound impact not just on marketing, but business as a whole, that marketing scholars have yet to explore and understand. A good comparison between the "old" and "new" marketing is depicted by a bowling vs. pinball metaphor presented by Hennig-Thurau et al. (2010), in which "old" marketing is like bowling where the company uses traditional instruments (represented by the bowling ball) to influence their consumers. Once released, the bowling ball will travel in a single direction to reach the target. The "new" marketing in a social media environment however, resembles a somewhat chaotic game of pinball where the balls bounce back in different directions based of consumer interactions and feedback (Hennig-Thurau et al., 2010). In this environment, there is less control and a lot more uncertainty. In the bowling metaphor, the marketer's task was to release the ball and evaluate the result. With the pinball metaphor, the marketer not just releases the ball; he also uses the flippers to keep the game going as long as possible, and carefully observes what is going on as the ball bounces around. This example clearly shows that social media marketing is a complex game that requires a different approach. As Malthouse and Hofacker (2010) conclude – "as the interactive media is still in its "adolescence", its role will continue to increase in communicating with customers, distributing products and services, inspiring new products, managing customer relationships and creating new marketing strategies" (p. 183).

The chapter is organized as follows. First we provide an overview of social media - definition, origin and scholarship. Here we focus on explaining the similarities and differences between social media and related constructs such as Web 2.0 and UGC. Next

we address in more detail the impact social media has had on marketing by presenting the new interactive marketing paradigms. Finally, we turn our attention to an examination of social media strategies companies use to develop and maintain relationships with customers.

## 3.2. Definition and origin

### 3.2.1. Web 2.0, user-generated content and social media – a definition

Even though the term Web 2.0 has been frequently used by marketing practitioners and academics alike when referring to its different *forms* (e.g. blogs, forums, social networks etc.) or *effects*, finding a *definition* of what constitutes Web 2.0 becomes a daunting task. The Web 2.0 has often been described as "facilitating dialogue and participation" and is often discussed in the context of various forms and platforms (Campbell et al., 2011; Deighton and Kornfeld, 2009; Hamilton and Hewer, 2010). Some authors, however, argue that Web 2.0 refers to the more technical aspects, while social media refers to the more social aspects of various applications (Constantinides and Fountain, 2008). Moreover, Kaplan and Haenlein (2010) and Berthon et al. (2012) argue in favor of differentiating the concepts of Web 2.0, user-generated content (UGC) (sometimes also referred to as consumer-generated content and consumer creativity) and social media.. In this context, Berthon et al. (2012) provide a useful framework for understanding the similarities, differences and interdependencies of Web 2.0, user-generated content and social media (see Figure 2) that we use as a basis for further discussion.

**Figure 2: Web 2.0, UGC and Social media**
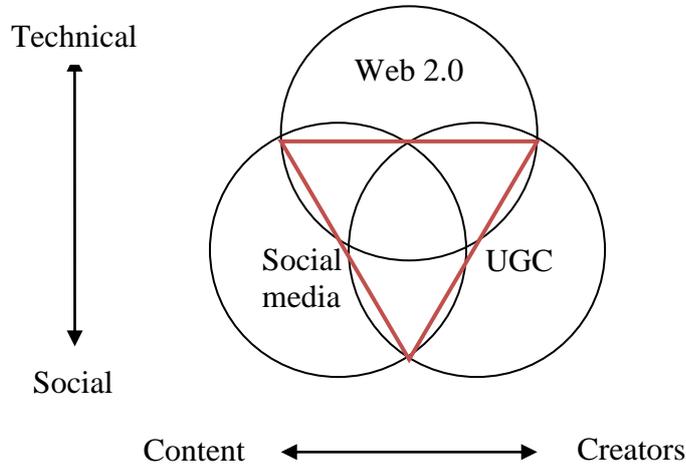


Source: Adapted from Berthon et al. (2012)

The term social media has frequently been related to the terms web 2.0 and user-generated content (UGC). In fact, in the past few years there has been a lot of debate around the definition, scope, and impact of web 2.0, social media and user-generated content on marketing (Berthon et al., 2012; Constantinides and Fountain, 2008; Deighton and Kornfeld, 2009). While the terms social media and web 2.0 have often been used as synonyms, the term user-generated content is used in the context of consumer behavior, more specifically, it reflects how consumers use the technologies and platforms available as content creators. However, certain inconsistencies and discussion surrounding the phenomenon persist (see for example Kaplan and Haenlein, 2010), so before offering a definition of social media, we will first define and explore the concepts of Web 2.0 and user-generated content (UGC).

The term Web 2.0 first appeared in 2004, and was developed by practitioners Dale Dougherty and Tim O'Reilly of O'Reilly Media Inc. (O'Reilly, 2007), and immediately caused controversy and discussion. One of the main concerns was that it was merely a new "buzz word" and had no true meaning or relevant impact (Constantinides and Fountain, 2008). Still, both academics and practitioners began using the term in theory and practice. While Web 1.0 was based mainly on content publishing via corporate and

other web sites, the era of the Web 2.0 is based on collaborative projects and can be considered as a platform for the evolution of social media and UGC (Berthon et al., 2012; Kaplan and Haenlein, 2010). As Figure 2 suggests, Web 2.0 represents technical advances, and can be seen as a "set of technological innovations in terms of both hardware and software that facilitate inexpensive content creation, interaction, and interoperability, and that put the lay user – rather than the firm – center stage in terms of design, collaboration, and community on the World Wide Web" (Berthon et al., 2012, p. 262). A similar definition of Web 2.0 has been offered by Constantinides and Fountain (2008) who define it as "…a collection of open-source, interactive and user-controlled online applications expanding the experiences, knowledge and market power of the users as participants in business and social processes. Web 2.0 applications support the creation of informal users' networks facilitating the flow of ideas and knowledge facilitating the flow of ideas and knowledge by allowing efficient generation, dissemination, sharing and editing/refining of informational content" (p. 232). Although the two definitions somewhat differ in scope, the key common point is that the Web 2.0 is defined from a technological perspective, that facilitates online social interaction via content generation and sharing.

Even though the definitions do not address any specific technical updates, there are several basic functionalities and principles required for the functioning of Web 2.0. Constantinides and Fountain (2008) identified three main Web 2.0 principles, namely: (1) Focus on service-based, simple and open-source solutions based on online applications, (2) Continuous and incremental application development requiring the participation of users in new ways and (3) New service-based business models and new opportunities of reaching small individual customers with low-volume products. Additionally, Kaplan and Haenlein (2010) identified software that is essential for the functioning of Web 2.0 (e.g. Adobe Flash, RSS and AJAX) as it enables the publication of frequently updated content, data retrieval and ensures media richness by facilitating the publication of interactive content.

To conclude, Web 2.0 technologies represent the basis for UGC and social media. In that sense, they provide the technical and ideological foundation for the development and growth of social media as we know it today (Berthon et al., 2012). Even though the terms are connected, we argue in favor of considering them as separate constructs, rather than synonyms. While Web 1.0 was characterized by applications such as the general idea of content *publishing* via personal and corporate web pages, online encyclopedias etc. the Web 2.0 is more focused on enabling content *creation* and *exchange* via blogs, wikis, content communities and collaborative projects.

If Web 2.0 is considered as a technical platform and foundation, then UGC can be considered as sum of means consumers use to express themselves and engage in discussions with each other (Boyd and Ellison, 2007). It represents both the content that one is producing at the moment of "being social" and the object around which the sociality occurs (Smith et al., 2012). UCG in the online world can take a number of forms such as blog posts, comments, tweets, replies, reviews, videos, consumer ads etc. (Berthon et al., 2012). Still, not all content deserves the UGC label. Kaplan and Haenlein (2010) list three basic requirements that need to be met, namely: (1) content should be published on a public website or on a social networking site available to s selected group of individuals, (2) there has to be a certain investment of creative effort involved and (3) it has to be created outside of the professional routines and practices. Here, the first condition excludes any sort of exchange done via email, instant messaging or private messaging for example; the second excludes reposting, retweeting and simple sharing of content already produced by others, while the third condition excludes any publicly available, creative content developed by organizations for commercial and/or marketing purposes. However, a lot of UGC today essentially reflects "the users' take" on existing original content such as photos or videos created by others, and can be seen as content curation and contamination. Going back to Kaplan and Heinlein's UGC requirements, while such content is not completely original, it does involve a certain creative effort, and therefore also qualifies as UGC.

When UGC becomes focused on a specific product or brand, i.e. brand-related UGC, it shares some of the common properties of eWOM that is defined as a positive or negative comment published online (Hennig-Thurau et al., 2004; Smith et al., 2012). In that context, current, former or potential customers create and publish content related to their brand experiences in the form of blogs, reviews, consumer advertisements, comments, videos etc. This, in turn, has made UGC even more interesting for marketers as it enables the creation (and possibly, identification) of online brand ambassadors. Moreover, research has shown that more and more customers refer to online reviews and customer blogs for information and recommendations on products and services (Chen et al., 2011). For example, various fashion brands have been cooperating with renowned fashion bloggers, FMCG companies such as P&G and Nestle have been turning to bloggers and influential community members, all because of their influence on the creation of trends and their credibility when it comes to advice given to other (current or potential) customers. As Liu-Thompkins and Rogerson (2012) suggest, UGC is interesting to marketers for several reasons – some content creators become brand ambassadors over time, and cooperation with them can reduce the cost of collaboration.

Also, the marketers gain access to the ideas of a wide array of global talent, that was not available before (Liu-Thompkins and Rogerson, 2012). Still, there are several problem and challenges, that mostly pertain to the way a company is able to approach UGC. As mentioned earlier, yes – there is a lot of UGC being produced and therefore, a lot of ideas and potential contributions, but also a lot of noise. However, it is up to the company to identify the most relevant ones and determine their quality and usefulness, which is not an easy task, and to this day, most companies are still struggling in establishing an adequate approach to UGC, as well as understanding what they could learn and how they could use it in their own campaigns and activities. On the other hand, marketers that are equipped with that kind of knowledge and expertise will be able to reap the benefits of UGC for their brands and companies, both in financial and marketing terms.

Looking back to the definitions and scope of Web 2.0 and UGC, we are now able to give a more detailed definition of social media, explain its evolution and contribution to marketing theory and practice and identify the types. Kaplan and Haenlein (2010) define social media as "…a group of internet-based applications that build on the ideological and technological foundations of Web 2.0 and that allow the creation and exchange of User Generated Content" (p. 61). Still, one might argue that the core of social media existed before – the social component and the creation and distribution of content – predates the emergence of social media. However, it is precisely the combination of technological advances and changes in the economic, social and cultural norms that make social media this powerful (Kaplan and Haenlein, 2010). Similarly, Weber (2007) defines social media as an online environment where people with common interests can gather together and share thoughts, ideas and opinions on products or brands.

In a similar vein, social media has been defined from a communication perspective. For example, Howard and Parks (2012, p. 359) define social media as "consisting of the information infrastructure and tools used to produce and distribute content that has individual value but reflects shared values; the content that takes the digital form of personal messages, news, ideas, that become cultural products; and the people, organizations and industries that produce and consume both the tools and the content". Similarly, Westerman et al. (2013) define social media as "a general category of channels and applications that highlight collaboration and working together to create and distribute content" (p. 2). Here the concept of collaboration is not limited to content creation, rather it reflects joint efforts that also aim at improving content and establish a shared understanding of it. According to Westerman et al. (2013), social media, built around web 2.0 technology, represent sites for harnessing collective intelligence. Looking at these definitions of social media, we identify several key aspects. First, the majority of definitions link social media to its technological foundation – Web 2.0 – whether it is mentioned explicitly (see for example Kaplan and Haenlein, 2010) or implied by highlighting the role of technology, platforms and applications (see Westerman et al., 2013). Second, it emphasizes the key features of social media – interaction and collaboration, and, as a result, the creation and distribution of content. On

the other hand, Peters et al. (2013) bring together contributions from two research fields – communication science and sociology and define social media as "communication systems that allow their social actors to communicate along dyadic ties" (p. 282). As we can see, this definition significantly differs from the previous, as it focus is exclusively on communication and interaction. To a degree, we find this definition limiting, as it tends to view social media as an interactive communication tool.

Finally, the term enterprise social media emerged as a way of differentiating between the external and internal use of various social media platforms. In that context, enterprise social media has been defined as "web-based platforms that allow workers to (1) communicate messages with specific coworkers or broadcast messages to everyone in the organization; (2) explicitly indicate or implicitly reveal practical coworkers as communication partners; (3) post, edit and sort text and files linked to themselves and others; and (4) view the messages, connections, text, and files communicated, posted, edited and sorted by anyone else in the organization at any time of their choosing" (Leonardi et al., 2013, p. 2). While the definition of enterprise social media emphasizes its use for communication and information dissemination purposes, to a smaller degree it also acknowledges the role social media play in internal cooperation and collaborations (e.g. posting and editing content available to themselves and others).

Companies that use enterprise social media typically develop platforms that resemble the commercial, public platforms such as Facebook, both in terms of design and functionality. Additionally, these platforms incorporate various blogs, wikis and document sharing features that facilitate information sharing and cooperation. One of the most well-known examples of enterprise social media is IBM which uses blogs, internal crowdsourcing platforms and internal social networking platforms (e.g. SocialBlue). As a result, IBMers (as IBM employees refer to themselves) have produced over 17 000 internal blogs, 100 000 employees use these blogs used to convey information about products, strategies and technological developments and 53 000 use SocialBlue ("How IBM Uses Social Media to Spur Employee Innovation," n.d.). While IBM is often considered a pioneer in its approach to social media, both internally and externally, other

companies are also trying to keep up the pace, such as P&G that, in addition to external social media participation, also incorporates internal social media platforms for employee use such as Social Purpose.PG.com, PGPulse, PeopleConnect, PGTube, category cockpits, internal wikis etc.

To conclude, social media as a concept draws on the fundamental concepts of web 2.0 and UGC. As such, social media dominantly reflects the social component and content creation, consumption and distribution. In that context, the definitions of social media examined provide a link between social media and Web 2.0 as its technological foundation, and stress its main feature – the facilitation of interactions and collaboration.

### 3.2.2. Social media and new interactive marketing paradigms

There is no doubt that the emergence of social media, combined with the sharp penetration of the internet based on the increased usage of mobile devices to access online content only puts further emphasis on the need for change in the marketing paradigm. Social media, using the so-called "Web 2.0" technologies and services, has created room for social interaction and collaboration between brands and their customers (Berthon et al., 2012; Campbell et al., 2011; Cova, 1997; Kozinets, 2006; Kozinets et al., 2010)). The growing interest in the field has also been confirmed by the Marketing Science Institute, that has almost continuously incorporated digital marketing, interactive marketing and social media in their research priorities since 1996 (see MSI Research Priorities 2012-2014, n.d.). As Deighton and Kornfeld (2009) point out, web 2.0 technologies change our view of how marketing should be practiced in the sense that "marketing may be less a matter of domination and control, and more a matter of fitting in" (p. 4). As the authors point out, in the last decade there has been an increasing number of digital innovations that facilitate B2C and C2C interactions. From a marketer's perspective, no longer is just the company talking to its audiences, but the audiences are talking back and to each other. In such a setting, companies must find a way to facilitate and fit into such conversations rather than attempt to dominate and

control them – such an approach has to be minimized. However, not all scholars would agree marketing was a matter of domination and control prior to the emergence of social media. While this may be true of marketing in the 1950s and 1960s, when marketing was based on the transactional paradigm, the emergence of relationship marketing in the 1980s caused a change in the marketer's mindset and the way they approach customers.

As a result, five new marketing paradigms have been identified that are distinct from the traditional ones such as the broadcast and direct paradigm, and represent the responses to the diminishing power of marketers relative to consumers. Still, it can be argued that the five interactive paradigms essentially represent new phenomena that characterize interactive marketing. These are: (1) thought tracing, (2) activity tracing, (3) property exchanges, (4) social exchanges and (5) cultural exchanges (Deighton and Kornfeld, 2009). A brief overview of each of the five new paradigms is presented in Table 3.

**Table 3:  Interactive marketing paradigms**

| Interactive marketing paradigms? | Interactive technologies | | Resulting digital media market |
|---|---|---|---|
| | **Customer use** | **Company use** | |
| **Thought tracing** | Web search for information and entertainment | Infer from search and browsing behavior and serve relevant advertising to customers | Market in search terms |
| **Activity tracing** | Integration of always-on computing into everyday life | Usage of available info to intrude and offer products and services | Market in access and identity |
| **Property exchanges** | Anonymous exchanges of goods and services | Competing with such exchanges rather than participating in them | Service, reputation and reliability market |

| | | | |
|---|---|---|---|
| **Social exchanges** | Identity building within virtual communities | Sponsoring or co-opting communities | Market in communities |
| **Cultural exchanges** | Observation and participation of cultural production and exchange | Offering cultural products or sponsoring their production | Buzz markets |

Source: adapted from Deighton and Kornfeld (2009), p. 5-8

As shown in Table 3, the customer can take on many different roles in many different emerging digital markets. As the digital technologies become more advanced and more available to consumers, so is marketing becoming more ubiquitous and aims at encountering the customer in a role that is not necessarily characterized by consumption, but also content and value creation. In that context, thought tracing refers to the possibility of the marketer to use various platforms that are searchable to gain insight into the customer's thoughts, objectives and emotions. However, with the emergence of smart phones, the customer is continuously connected, leading to what Deighton and Kornfeld (2009) refer to as "a more pervasive change in the marketplace: mobile marketing enabled by ubiquitous connectivity" (p. 6). Therefore, it is not just the thoughts that can be traced, but also the activities. As a result, marketers have recognized the growing importance of mobile communication technologies (Shankar and Balasubramanian, 2009), geo-location services and mobile apps (direction finders, books, games, online shopping services etc.).

Although the first two paradigms describe some of the changes that occur, the last three are developed around peer-to-peer interactivity driven by the desire to exchange properties, experiences, information and express oneself. For example, property exchanges refer to "private property exchanged in markets or cultural and social capital built in communities, as anonymity gives way to varying degrees of reputation and identity, and free exchanges gives way to priced exchange" (Deighton and Kornfeld,

2009, p. 6). Such exchanges can be found in sites such as Napster, SlideShare, eBay, Flickr or Youtube, all of which essentially enable the sharing and distribution of private property such as music, video, pictures etc. The key difference between this and the two remaining paradigms lies in the users motivation – in property exchanges the main source of motivation is the possibility to act as a content distributor – a "power" that used to be reserved only for the company. Additionally, the content that is being distributed usually deals with more tangible items, while the social exchange deals with identities and reputations (Deighton and Kornfeld, 2009). Good examples are Facebook and LinkedIn where users create identities and manage their reputation based on their preferences, interests, participation and interaction. For marketers, digitally enabled social exchange represents another window of opportunity, which, when combined with new technologies becomes "mobile and ubiquitous" (Deighton and Kornfeld, 2009, p. 7).

Finally, digital technologies facilitate the marketers' contribution to culture, leading to the final digital paradigm – cultural exchange. While the impact of marketing on culture and the creation of cultural exchanges have also been present in the past, new technologies and peer-to-peer interactions have led to a much faster flow of ideas. According to Deighton and Kornfeld, marketing become s a cultural producer. It is important to note that, in the context of new technologies, marketers are not only cultural producers, but rather cultural enablers that not only facilitate but also encourage active user participation. Good examples of such practices are various web-integrated campaigns that spurred numerous reactions, comments, shares and campaign-related new releases (e.g. Greenpeace released a video inspired by the Dove Real Beauty Campaign to point to issues relevant to them; many individual users not only share existing content but create their own such as parodies, spoofs, memes etc. and distribute them within their communities). As shown above, in this new context, if the marketers want to be (or remain) successful, they must become a partner, facilitator, peer, welcomed into the social and cultural life of an individual and a community.

*3.2.3. Social media types*

Today, we can say that the social media phenomenon is global in nature – Table 4 shows statistics for some of the most popular social media sites.

**Table 4: Social media sites statistics in 2013**

| Facebook[a] | Twitter[b] | LinkedIn[c] | YouTube[e] |
|---|---|---|---|
| Founded in 2004 | Founded in 2006 | Founded in 2003 | Founded in 2005 |
| 819 million monthly active users who used Facebook mobile products<br><br>699 million daily active users<br><br>1.15 billion monthly active users | 200 million active users<br><br>400 million tweets a day | 238+ million users<br><br>37% yoy growth | 1 billion + unique monthly visitors<br><br>6 million hours of videos watched every month<br><br>100 videos uploaded every minute |

a Source: "Facebook Newsroom," (2013)

b Source: "Twitter Blog," (2013)

c Source: "LinkedIn Press Center," (2013)

d Source: "Youtube Press Center," (2013)

According to Socialnumbers.com - social media statistics, insights and reports for Facebook pages (2013), companies and brand have also recognized the power of the social. Their statistics show that, on a global level, there are 629 official social media pages with over 7, 3 billion fans, as reported in Q4 of 2013. Several authors have argued that various social media platforms have enhanced the power of online communities by deepening the relationships, enabling fast organization, improving the creation and

synthesis of knowledge and permitting better filtering of information (Howard and Parks, 2012; Kane et al., 2009; Westerman et al., 2013).

As mentioned several times so far, social media comes in many different forms and platforms. The early beginnings of social media date back to the appearance of blogs and forums, while a real surge in the popularity is contributed to the Web 2.0 technologies and the development of global social networking sites such as MySpace, LinkedIn, Twitter and of course - Facebook. Even though there have been some attempts to classify the numerous social media platforms, it is only recently that we see systematic classifications that identify key dimensions or continuums along which we can categorize almost every (existing or emerging) social media type. One of such classifications is that of Kaplan and Haenlein (2010) who classified social media based on media and social processes theories. This resulted in a classification based on two key dimensions: (1) social presence/media richness and (2) self-presentation/self-disclosure (see Table 5).

**Table 5: Classification of Social Media**

| | | Social presence/media richness | | |
|---|---|---|---|---|
| | | **Low** | **Medium** | **High** |
| **Self-presentation / self-disclosure** | **High** | Blogs | Social network sites (e.g. Facebook) | Virtual social worlds (e.g. Second life) |
| | **Low** | Collaborative projects (e.g. Wikipedia) | Content communities (e.g. YouTube) | Virtual game worlds (e.g. World of Warcraft) |

Source: Kaplan and Haenlein (2010)

To clarify the classification, blogs – special websites that display posts in reverse chronological order (Scott, 2009) , tend to be low on social presence and media richness as they tend to focus mostly on text while on the other side of the spectrum we find virtual worlds that are typically very rich as they essentially replicate face-to-face

interactions in a virtual world, and enable virtually all activities a person may have in the real world (Kaplan and Haenlein, 2010). In terms of the second dimension, virtual game worlds have a lower self-presentation than virtual social worlds, as they are guided by strict regulations and guidelines when it comes to behavior and disclosure (Kaplan and Haenlein, 2010).

Similarly, blogs score higher when compared to collaborative projects such as Wikipedia, as wikis tend to focus more on specific topics (Tapscott and Williams, 2006). Aside from blogs and wikis, one of the most widely recognized social media platforms are social networks Boyd and Ellison (2007) define as "web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system" (p. 210). By listing these characteristics of social networks, we can easily explain their position in the classification of social media platforms. Social networks are high on self-presentation and self-disclosure due to the fact that they are based on a profile a user is supposed to develop, disclosing certain personal information and agreeing to certain terms of use. This is also the main difference between social network sites and content communities such as YouTube where a lot less is being disclosed.

### 3.2.4. Social media research

In terms of research, blogs and (micro)blogging are among the most researched, especially in the recent years, especially the usage of blogs in politics, health, education and for PR purposes (Breakenridge, 2008; Kang et al., 2011; Macduff, 2009; Miller et al., 2011; Rybalko and Seltzer, 2010). Due to their resemblance, a growing body of research has developed around Wikipedia and wikis as well, with special reference to its impact on education (Biasutti and EL-Deghaidy, 2012; Cress and Kimmerle, 2008; Tapscott and Williams, 2006). Scholars from disparate fields have examined SNSs in

order to understand the practices, implications, culture, and meaning of the sites, as well as users' engagement with them.

More specifically, research on social network sites (i.e. MySpace, Facebook, LinkedIn) mostly focused on user characteristics and their use of such sites (Ellison et al., 2007; Hargittai, 2007; Lenhart, 2009; Smith et al., 2012), the implications social media networks and technology have on specific areas (e.g. employee productivity, Ferreira, (2010); service sector: Krishnamurthy (2010); civil society and nonprofit sector: Ginsburg and Weisband, 2002; Macduff, 2012, or the examination of network dynamics in online/virtual communities (Hamilton and Hewer, 2010; Kozinets, 1999; Kozinets et al., 2010; Ridings and Gefen, 2006). In this context virtual communities were recognized as consumer groups of varying sizes that connect and interact online for the purpose of meeting personal and shared (Dholakia et al., 2004; Dwyer, 2007).

Finally, given the development and maturity of social media, research has moved from more descriptive  (Barwise and Farley, 2005) that aimed at understanding the way customers and companies use various social media platforms, and identifying patterns, to understanding the underlying motivation for the usage of social media (Hennig-Thurau et al., 2004) and linking social media usage to specific measurable outcomes such as sales, profits, customer satisfaction etc. (Chen et al., 2011; Singh and Sonnenburg, 2012).

### 3.2.5. Concluding remarks

To sum up, even though social media cannot be considered as absolutely new and groundbreaking, combined with Web 2.0 technologies and UGC, it has brought forth important changes in the industry and the way companies approach consumers. Even though the three terms have often been used interchangeably, we argue in favor of distinguishing them based on social vs. technical and content vs. creation dimensions (Berthon et al., 2012). Even though blogs and forums were the original form of social

media, the former has been experiencing exponential growth after the emergence of Web 2.0 technologies and the appearance of global social network sites. Therefore, we conclude that an observed rise in the importance and impact of social media is based on technological advances, as well as economic, cultural and social changes. In that context, Berthon et al. (2012) identified three key effects that, as a result, call for a paradigm shift in marketing. These are: (1) *activity shift* from the desktop to the web; (2) *power shift* from the company to the collective and (3) *shift of value* production from the company to the consumer. These changes are forcing companies to rethink the way they approach customers in social media, and develop new marketing strategies to support their presence. The next chapter aims at addressing this issue in more detail.

### 3.3. Social media marketing strategies

#### 3.3.1. Introduction

As mentioned earlier, the changes in the locus of power, activity and value production due to the appearance of Web 2.0 and social media, brought a radical change to marketing as it profoundly transformed the way companies communicate with consumers (Berthon et al., 2012; Michaelidou et al., 2011; Scott, 2009) and how consumers respond to brands' marketing and advertising (Campbell et al., 2011). Before the Web 2.0 era, a company had the ability and power to control the majority of the content being published; it was the producer and distributor of content. Today, the power shifts toward the consumers of content, as more and more consumers become actively engaged in creating, commenting and distributing content related to the company or brand. Whether it is something a company does online or offline for that matter, it is highly likely a consumer will express his or her opinion, share the experience, or produce own content (such as videos, reviews, blogs etc.) and share it with friends and acquaintances via social media, for all interested to see.

Moreover, what was initially considered a revolution in communication now spans across all areas of marketing. Today, a company's social media presence influences product and service development, sales, marketing communication, public relations, customer service etc. For example, based on customer reviews, comments and suggestions a company might decide to modify or develop a completely new product or service. Other companies launched projects aiming at developing a new product with customers with the help of various social media platforms. Examples of such projects include the famous Italian food company Mullino Bianco and their project Nel Mullino che Vorrei in which the company invited customers to suggest new products. Each product proposal was public and could be voted on by other customers, with the best product being actually produced by the company. Similar initiative was launched in 2013 by Ledo, the biggest Croatian ice cream producer that reached out to its customers to develop a new ice cream. The company received over 50 000 suggestions and engaged over 200 000 customers. Croatian prepaid telecom brand BonBon moved its entire customer service to Facebook, embedding features such as chat and Frequently Asked Questions and assigning 28 employees to serve as 24/7 customer support via Facebook. Similar examples can be found in all other areas of marketing.

Based on these examples, we can conclude that the traditional hierarchical approach should be replaced by open conversations between brands and consumers and also traditional division of roles of marketers and their audience was replaced by a dynamic, flexible and constantly changing marketing process. In short – in the new social media marketing, the company must act as the consumer's partner or ally, rather than attempting to "run the show". Kaplan and Haenlein (2010) suggest companies should behave quite the opposite of what marketers were used to doing in the past. For example, being active in social media not only constitutes posting information about the company and brand regularly – social media is much more than that. It is about engaging in open, transparent, ongoing conversations with consumers, making them feel not only welcome, but also showing their contributions, comments and suggestions are valuable, and giving that value back. The companies should realize that customers *expect* a conversation in

social media, rather than the classical one-way communication that merely mimics that of traditional media while attempting to "be social". As Kane et al. (2009) put it, the company should develop such a social media presence, so that "people can talk *to you*, not just *about you*". That being said, several researchers suggest marketers can utilize online communities and their conversations as part of the process of value co-creation, to foster dialogue (Cova, 1997; Rybalko and Seltzer, 2010), spur innovation (Tapscott and Williams, 2006), build social presence (Kozinets et al., 2010) and create linking value with other customers (Cova, 1997).

### 3.3.2. Social media marketing strategy development

Even though the literature on social media marketing seems to be abundant, it has been suggested that marketers have yet to develop proper strategies how to interact with empowered consumers (Day, 2011), how to cope with data deluge coming from online sites (Day, 2011) and how to seize the possibilities for collaboration with consumers (Day, 2011; Prahalad and Ramaswamy, 2004). While the authoritative practitioners' literature proposed many different social media strategies for companies (see for example Barlow and Thomas, 2010; Qualman, 2010; Scott, 2009), the academic literature was rather slow in picking up the pace and exploring various strategies companies may use in social media. Current contributions mostly focus on "how to" strategies, namely - determining the right steps in developing a social media strategy (Berthon et al., 2012; Kaplan and Haenlein, 2010) rather than on identifying different types of strategies companies may use.

For example, Kaplan and Haenlein (2010) offer ten pieces of advice for companies that have decided to use social media, which companies can consider as a set of guidelines universally applicable to any type of social media platform. The first five mainly reflect a classical planning process, and includes decisions on which platforms and applications to use, and how to ensure activity alignment and integration across different platforms, as well as with traditional media. The logic the authors apply is straightforward:

depending on what the company wishes to accomplish with its social media presence, and depending on the characteristics of the target market, it makes decisions regarding its social media participation. These steps by and large follow the classical flow of marketing communication strategy (i.e. define the target, define the goal, define the message, choose media, integrate media); with the exception of acknowledging the importance of employee participation. To be more precise, it is argued that all employees (as opposed to only those working in the marketing or communication departments) should be allowed access and participation, provided that there are guidelines in place that regulate each groups' participation and responsibilities. This point is emphasized by other authors as well – Kane et.al. (2009) for example, stress that appropriate standards and policies can help articulate the companies' expectations regarding the social media presence, as well as help govern its usage.

A related issue is that some organizations still attempt to apply the traditional one-to-many approach in social media. For example, the literature suggests that organizations use social media for two main purposes – information sharing and relationship building (Ang, 2011a; Lovejoy and Saxton, 2012; Parasnis, 2011). Lovejoy and Saxton (2012) analyzed the nonprofit organizations' social media utilization based on the posts published in Twitter, classified in three broad categories based on their primary function: information sharing, community building or action seeking. The results have shown that the vast majority of organizations use Twitter dominantly as an information sharing tool. These results confirm that most organizations still use social media as they would have used the traditional media – to convey their message and provide information on its activities, products or services, with little reference to community building through dialogue and interaction, or specific call to action.

This finding also points to a related issue – establishing a social media presence requires a lot of expertise and planning. Regardless of how the strategy is being developed and implemented (i.e. in-house or outsourced to a digital marketing agency) one should never assume they "know all the ropes". Social media is a highly dynamic environment,

and a lot of preparation and monitoring is needed before actively participating in any of the social media platforms. It's an ongoing process in which both sides – the customer and the company – learn continuously, and it should not be dismissed easily. Berthon et al. (2012) argue "marketers will have to listen and learn, rather than preach" (p. 269). The "listening and learning" as they call it, refers to learning and knowledge development in social media, either by formal (i.e. continuous and systematic research, established monitoring and information gathering, classification and dissemination etc.) or informal means.

For example, Altimeter Group Network Report (2013) presents the state of the social business in 2013 with special focus on the maturing of social media. Their research, conducted on a sample of marketing managers and executives, has shown that only 34% of the companies had their social media strategies aligned with their business outcomes. Furthermore, there have been several key issues identified regarding the company's social media strategy, namely: unaligned executives, uncoordinated efforts, incremental funding and limited training. These findings suggest that companies suffer from the inability to develop coherent social media strategies. However, regardless of the level of adoption and integration of social media, Altimeter found that all companies go through the same six stages of social media strategy development, shown in Table 6.

Essentially, the six stages – planning, presence, engagement, formalized, strategic and converged – represent the degree to which a company approaches social media in terms of its integration with the business as a whole. Here, the planning stage mainly reflects listening and monitoring as a necessary condition to any social media engagement. It is important to note that the stages are intertwined and the earlier stages are in a way embedded in the ones that follow. For example, even if the company finds itself in one of the more mature stages of social media strategy development, it only means that, in addition to the basic goals and incentives, the company is now using more elaborate research methods, metrics and incentives. In short – it's an ongoing process that

becomes more elaborate, complex and coherent as the company moves to the mature stage of social media strategy development.

**Table 6: Stages of social media strategy development**



Source: Altimeter: The evolution of Social Business – Six stages of Social Business Transformation, March 2013

In general, listening to customers is still the most common approach in market and consumer research. In the social media environment, however, the mechanisms and the operations for market and customer data collection offer important improvements, which is why this is the main characteristic of the planning stage. Li and Bernoff (2011) identified two relevant listening strategies on the web (1) setting up a private online community to facilitate discussion and (2) brand monitoring via blogs, micro-blogging, social networks, video sharing, etc. In fact, many web resources are available to help firms monitor messaging and editorial coverage in Web 2.0. The newest linguistic models enable the analysis of the content and the tonality of discussions, and are even

able to reveal the gender of the person engaged in a conversation  (Breakenridge, 2008). However, there are significant limits to these models such as privacy issues, incomplete raw data, oversized information, abstractions and assumptions, semantic complexity, network analysis pitfalls, etc. Still, more and more companies use these techniques to acquire information that can later be used to adjust their strategies and the way they approach their current and prospective customers.

It is important to note that today "listening" in social media includes a combination of sophisticated qualitative and quantitative research. For example, netnography, also known as the online ethnography is used to develop a better understanding of online communities, their culture and motives. Netnography has been defined as "…a new qualitative research methodology that adapts ethnographic research techniques to study the cultures and communities that are emerging through computer-mediated communications" (Kozinets, 2002, p. 62). The general process of netnography consists of (1) an investigation of possible online field sites, the initiation and entering the culture; (2) collecting and analyzing data, (3) ensuring trustworthy interpretations; (4) ensuring ethical research and (5) provide an opportunity for the feedback of culture members (Kozinets, 2006; Kozinets et al., 2010).

Given that netnography considers online communities and their cultures,  there are several  benefits that have been emphasized when compared to the traditional ethnography  – it's faster, simpler and cheaper (Kozinets, 2006; Kozinets et al., 2010; Seraj, 2012). It is faster because it enables quick assessments of the community being studied, simpler because of the availability of data and is „unsolicited, unobtrusive and more naturalistic" (Kozinets, 2006). It is important to note that in the earlier years, netnographic research was based on data collected from bulletin boards, chat rooms and forums. Today, the data is even more available, expanding the use of netnography to blogs, fan pages on Facebook and micro blogging sites such as Twitter.  Finally, Seraj (2012) pointed out that netnography is especially suitable because of „the possibility of

triangulation with other methods, which further helps reveal enriched data...and strengthens the method and the generalizability of results" (p. 211).

However, netnography has faced several challenges as well. Given that most interactions in communities are text-based, the analysis misses out on the nonverbal elements of communication (e.g. tone of voice, speech dynamics etc.). Additionally, two related challenges have emerged – one pertaining to the researcher's participation and one pertaining to the interpretative nature of netnography. More specifically, by positioning netnography between discourse analysis, content analysis and ethnography, some researchers argued in favor of „the legitimacy of covert research, including a revision of existing guidelines for research ethics with regard to informed consent when conducting netnography"  (Langer and Beckman, 2005, p. 189). A related challenge is the researchers ability to systemize and contextualize the data collected (Kozinets, 2002). Netnographic research is based on a large pool of data in the form of (usually) text conversations. While this data is often highly accessible, the quantity of such data may become overwhelming. Kozinets (2006) points out that this issue can be resolved if a systematic approach is used combined with an ample cultural knowledge of the researcher and an ability to follow the investigation across all touch points.

The previously mentioned problem of „overwhelming data" also leads to the issue of so-called big data analysis. Technological advances and the emergence and popularity of social media have led to the generation of enormous amounts of data available to companies. As McAfee and Brynjolfsson (2012) point out, big data relates to analytics in the sense that both develop insights and intelligence based on available data to develop a competitive advantage. What makes big data special is the volumes (exabytes of data created daily), velocity (real-time or near real-time data) and variety (through comments, messages and posts companies can track the customers actions, thoughts, interests, reputation, lifestyle, location etc.). Clearly, combining the quantitative approach such as analytics and big data analysis with qualitative such as netnography allows companies to

develop a deep understanding of the consumer in social media, and thus create the necessary basis for further strategy development.

As the company's social media strategy matures, it can be expected that the company will use more complex and elaborate listening methods as the basis for their claims, interactions and collaborations in social media. For example, as the company moves forward with its social media strategy development, it will influence not only the internal and external marketing activities, but will expand to other functions and departments such as R&D, finance, operations and human resources. Eventually, the company should reach the stage of a social business, characterized by a holistic approach that integrates social media in all activities and operations, with social media responsibility being systematically distributed between employees. The concept of the "social business" has recently emerge in the academic literature and is often related to social collaborative technologies (Weinberg et al., 2013). The authors argue that "…an important step towards becoming a social business is recognizing that social business technologies help people connect, communicate and share information" (p. 300).

In an international context, things tend to become more complex. Berthon et.al. (2012) suggest several points (referred to as axioms) managers need to consider when developing social media strategies in an international context. The axioms mainly reflect the need to consider additional decisions and parameters when establishing a global presence that typically reflect the macro and micro environment (e.g. culture, technology, laws and regulations, political setting etc.). This, in turn, tends to result in the creation of barriers for the implementation of a company's social media strategy. For example, marketers must consider that language and engagement attitude may differ significantly across markets. While Kaplan and Haenlein (2010) argue in favor of being „unprofessional" in the way you communicate in social media, this may not be the case across markets, which, again, requires additional research and adaptation on behalf of the company.

*3.3.3. Towards a typology of social media strategies*

One of the most recent studies on the characteristics of various social media marketing strategies was conducted by (Wilson et al., 2011) based on the company's tolerance for uncertainty and the level of results sought. The study resulted in four distinctive social media strategies (see Table 7).

**Table 7: Typology of social media strategies**

| Strategy type | Tolerance for uncertainty | Level of results | Embededness |
|---|---|---|---|
| **Predictive practitioner** | Low | Clearly defined objectives; use of existing metrics | Little or no cross-functional coordination |
| **Creative experimenter** | Medium | No predefined objectives; occasional use of proprietary technologies to conduct tests | Projects are experiments within functions or departments |
| **Social media champion** | Medium | Clearly defined objectives | Close collaboration across multiple functions and levels, including external parties |
| **Social media transformer** | High | Identifiable objectives span across financial and non-financial domain | Large scale interactions and collaborations with external stakeholders |

Source: adapted from Wilson et al., 2011

The „predictive practitioner" strategy reflects a company that uses social media in one or few specific areas such as customer service or new product development, and is often implemented by a single department within the company. This strategy aims at avoiding uncertainty as much as possible, and achieving measurable outcomes. The „creative experimenter" strategy is used by companies that are not afraid of experimenting and doing small-scale tests to identify best practices and improve their social media presence. The company's overall goal is to learn from social media, so they engage in a lot of social media monitoring and are not as rigid when it comes to predefining outcomes of their social media activities. The „social media champion" strategy does reflect more uncertainty than the previous two, as it tends to include several departments, and include external stakeholders (such as influenced bloggers) in their corporate projects. Given that there are several departments and functions involved in the execution of this type of strategy, special attention is paid to the coordination of activities and development of policies and guidelines for social media use. Finally, the „social media transformer" is a strategy that can have the biggest impact on the business as a whole – from marketing and research  to R&D and production. It is a large-scale strategy that spans across departments and functions, and includes external stakeholders as partners (e.g. customers, suppliers etc.). The social media technologies become embedded in everything the company does, and use social media to address major changes in the marketplace and its impact on the overall business strategy.

Even though there are plenty of strategies available, one cannot argue which strategy is „the best". To a large extent, it depends on the company's internal resources, capabilities and defined goals. For example, a company that has a low to moderate budget and fewer employees and does not have a clear idea how and where to start, falls under the „creative experimenter" with a number of small, low-budget, often ad-hoc projects (or experiments). Alternatively, a company that starts in a more structured manner, with clear objectives and ideas on what it aims to accomplish, takes on the „predictive practitioner" approach. Either way, a company should consider moving to a more elaborate strategic planning when it comes to their social media presence, and use one of

the two more sophisticated approaches – namely the „social media champion" or the „social media transformer", but taking into account the limitations it is facing internally. Generally speaking, the „social media transformer" approach should be the most beneficial for the company, however, managers must take into account that such a strategy requires a lot of changes and adaptation within the company, from incentive systems and business processes to resource management and leadership styles (Wilson et.al., 2011). Unfortunately, even though many companies are drawn to social media because it is considered highly affordable when compared to the „traditional" ones, many managers fail to recognize that a lot of time, effort and resources are in fact needed if a company wishes to fully exploit the possibilities social media have to offer.

Kozinets et al. (2010) used a different approach to social media strategy and focused exclusively on the communication aspect of social media. In their research of WOMM in online communities, they analyzed 83 blogs during 6 months and discovered that such a network of communications can identify four social media communication strategies—evaluation, embracing, endorsement, and explanation. They also found that each strategy is influenced by character narrative, communications forum, communal norms, and the nature of the marketing promotion. It is important to note here is that Kozinets et al. (2010) have identified such strategies based on a WOMM campaign incorporated into the character narratives of bloggers.  The underlying reasoning they adopt is that WOMM is based on the assumption that marketers can take advantage of the credibility and bonds that develop in C2C interactions by balancing between the established communal norms and commercial objectives. In that sense, the marketers must pay close attention in balancing the communal-commercial tensions in a manner that does not undermine the communal norms. Additionally, the blogger as the communicator now takes on two roles – on one hand as a community member and on the other – the marketer. To tackle this hybrid role, Kozinets et al. (2010) found that bloggers tend to modify the marketing messages so that they fit the community norms and culture. More specifically, the blogger performs three key services for the marketer: (1) communication of the marketing message, (2) staking the bloggers' reputation and trust

relationships on the marketing message and (3) modification of the marketing message – its tone, language or substance – to conform to the norms and expectations of the community (Kozinets et al., 2010).

As a result, the four strategies reflect the bloggers behavior in two dimensions (see Figure 3 for details) – the interpersonal orientation of communications (communal vs. individualistic) and the commercial-cultural tension (implicit vs. explicit).

**Figure 3: Narrative strategies**

| | Evaluation<br>(e.g., Alicia, Joseph, Jasper) | Explanation<br>(e.g., Frank, Sammy, Randy) |
|---|---|---|
| **Communal** ↑ | **Communication Strategies**<br>•*Concealment*: minimizes or avoids mention of WOMM campaign and their participation.<br>•*Product focus*: focus on product itself, rather than WOMM campaign.<br>•*Communal acknowledgment*: proactively asserts communal orientation.<br>•*Leadership*: asserts or affirms membership in the community while positioning as safe or preferred information source.<br>**Community Reaction**<br>•*Negative* regarding WOMM campaign, due to avoidance of campaign's moral issues, dependent on forum and communal norms.<br>•*Hostility toward opinion leader role*, dependent on congruity with communicator narrative, forum and norms. | **Communication Strategies**<br>•*Disclosure*: explicitly reveals WOMM campaign and their participation.<br>•*Awareness of cultural tension*: explicitly signals awareness of cultural tension between WOM marketing goals and community orientation.<br>•*Communal acknowledgment*: proactively asserts communal orientation.<br>•*Leadership*: asserts or affirms membership in the community while positioning as safe or preferred information source.<br>**Community Reaction**<br>•*Supportive or neutral* regarding WOMM campaign.<br>•*Acceptance of opinion leader role*, dependent on forum and communal norms. |
| **Individualistic** ↓ | **Embracing**<br>(e.g., Carrie, Franklin, Svetlana)<br><br>**Communication Strategies**<br>•*Acceptance*: consumer–marketer dual role enthusiastically adopted.<br>•*Justification*: personal needs emphasized over community needs, in terms of privilege or equity.<br>•*Professionalization*: promotional marketing language and terms used; additional marketing opportunities requested.<br>**Community Reaction**<br>•*Mixed, polarized responses.*<br>•*Negative* regarding WOMM campaign if not related to prior forum content and communicator narrative.<br>•*Positive* if communal norms, forum, and communicator narrative are congruent with WOMM campaign.<br>•*Resistance to opinion leader role*, dependent on congruity. | **Endorsement**<br>(e.g., Judith, Troy, Shane)<br><br>**Communication Strategies**<br>•*Disclosure*: explicitly reveals WOMM campaign and their participation.<br>•*Awareness of cultural tension*: explicitly signals awareness of cultural tension between WOM marketing goals and community orientation.<br>•*Justification*: personal needs emphasized over community needs, in terms of privilege or equity.<br>•*Professionalization*: promotional marketing language and terms used; additional marketing opportunities requested.<br>**Community Reaction**<br>•*Tempered negative* regarding WOMM campaign.<br>•*Support for opinion leader role*, dependent on whether narrative is deemed "deserving," if narrative integrates WOMM campaign, and if communal norms are supported. |

Interpersonal Orientation of Communications

Implicit ← Commercial-Cultural Tension → Explicit

Source: Kozinets et al. (2010)

The authors also incorporated the community members' response to each of the strategies identified, showing that the explicit acknowledgment of the commercial-cultural tension, and a communal orientation of the "explanation strategy" (top right quadrant in Figure 3) result in the most favorable outcome for the marketers. This finding is consistent with the social media literature and research that stresses the importance of open and transparent communication with community members. It also stresses the notion that the messages that the marketers one to get through to community members have to be altered to fit the communal norms, otherwise the message may be perceived as negative and intrusive, and destroy the credibility of certain community members. As mentioned earlier, this typology has been developed for blogging communities that have a central member – the blogger – which has to be considered when applying to other types of communities and platforms such as consumption or brand communities that develop in platforms such as Twitter or Facebook characterized by different type of narrative.

### 3.3.4. Effectiveness and metrics

Finally, when discussing social media strategies, attention has to be paid to the brand-related outcomes of such strategies. As mentioned earlier, there are plenty of practitioner contributions that attempt to address the issue of social media metrics – from presentations, webinars, reports and white papers to books (see for example Lovett, 2011; Sterne, 2010). As social media became more popular, social media effectiveness and measurement became a topic of debate. The contributions to the discussions around this issue ranged from „not having any metrics at all, because social media is different" (Scott, 2009; Sterne, 2010), use of existing, traditional metrics applied to the social media context (Michaelidou et al., 2011) to the need for development of new metrics as the traditional ones do not suit the interactivity of the web 2.0 (Hennig-Thurau et al., 2013; Hoffman and Novak, 1996; Peters et al., 2013).

This resulted in over 100 social media metrics, some of which reflect the „traditional" metrics - online and offline sales, market share, profits, customer satisfaction and retention, ROI etc.; the social media analytics – number of fans, follows, tweets, mentions, retweets, comments, shares, reach to R&D time saved based on the feedback from social media, suggestions implemented from social feedback and costs saved from not spending on traditional research etc. (Sterne, 2010) and finally, social media-specific metrics and indexes such as customer influence value and customer influence effect (see for example (Kumar et al., 2013).

Murdough (2009) was among the first to analyze the social media measurement process that consists of five consecutive stages, with their respective activities and outputs (see Table 8).

**Table 8: Social media measurement process**

| Phase | Activity | Output |
|---|---|---|
| **Concept** | 1.Maping measurement objectives<br>2. Identifying key KPIs<br>3.Establishing performance benchmarks | 1. Goals<br>2. Objectives<br>3. Metrics |
| **Definition** | 1.Itemize insight questions<br>2.Illustrate the analysis approach<br>3.determine the frequency of performance evaluation and timing | 1. Reach<br>2. Discussions<br>3. Outcomes |
| **Design** | 1.Establishing performance data sources and/or methodologies<br>2.Enumerating specific technical tracking hooks and manual interventions<br>3.Set up, configure or customize performance reporting tools | Samples of social media insight tools and data sources to be used |

| | |
|---|---|
| **Deployment** | 1.Conducting quality assurance of data collection methods |
| | 2.Validation of performance reports |
| | 3.Building data infrastructure |
| **Optimization** | Reporting and insight |

Source: Murdough (2009)

The Concept stages aims at defining what brands want to accomplish through advancing their relationships with customers via social media. Depending on the identified goals (e.g. deepening relationships with customers, learning from the community, driving purchase intent) he proposes a set of metrics (e.g. # of advocates and comments posted, rank of topics discussed or deciphering positive versus negative sentiment and, finally, leads to economic partners and product brochure downloads). He continues by arguing that social media monitoring and measurement quantifies the impact of consumer dialogue, and identifies three pillars in the Definition stage, that serve to organize around and navigate the complexity of social media performance, namely reach, discussions and outcomes. The third, Design stage lays out the specific tactics and venues most appropriate for a brands' active social media presence. The last two stages focus on meeting the previously defined objectives, reporting and giving insight to evaluate the social program performance against the KPIs determined in the first phase of the process. Although Murdough provides a detailed overview of the social media measurement process, he suggests the usage of existing internet metrics that have been adapted to the social media landscape (e.g. site analytics solutions, text mining partners etc.). It is important, however, to note that these measures correspond to a certain degree to internet-specific brand equity measures identified by Christodoulides et al. (2006) concerning online and offline brands' composite equity.

More recently, several authors have emphasized the specificities of social media when attempting to evaluate the outcomes of social media activities (see for example Hennig-Thurau et al., 2013; Kumar and Mirchandani, 2012; Kumar et al., 2013; Peters et al.,

2013). Moreover, Peters et al., (2013) argue that, because social media is substantially different from the traditional media due to its social network structure and egalitarian nature, a different approach to measurement and analysis is called for. The authors develop a holistic S-O-R framework based on existing literature that captures the specificities of social media (see Figure 4).

**Figure 4: S-O-R framework for social media metrics**
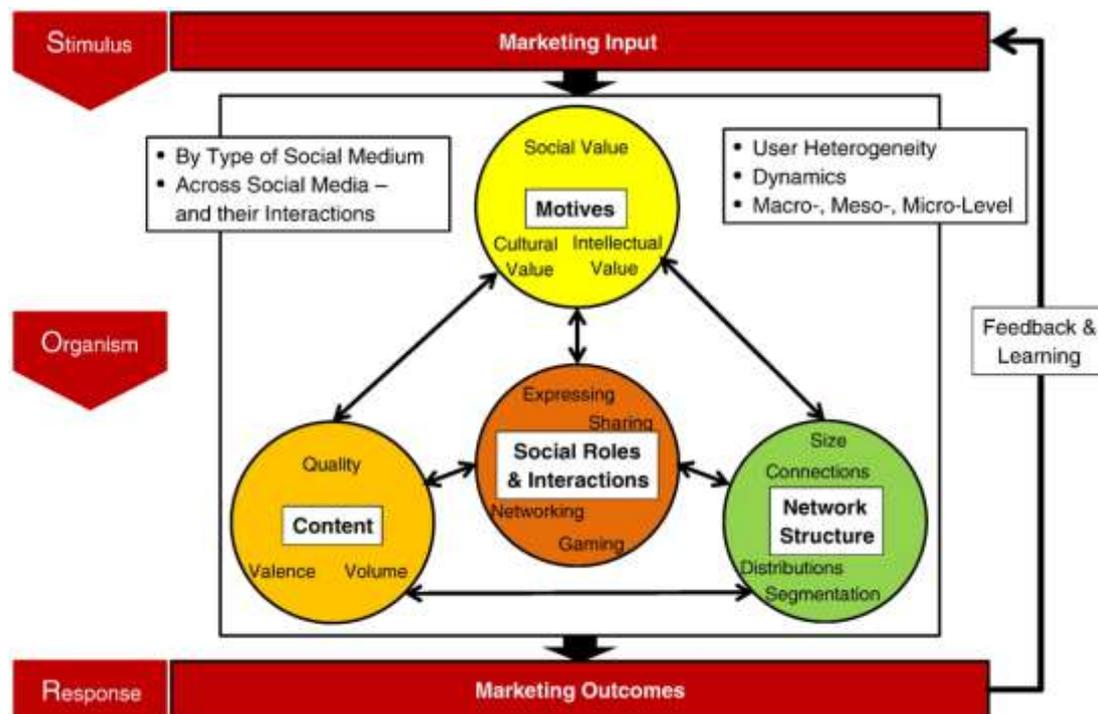


Source: adapted from Peters et al., 2013

The framework is based on the Social Learning Theory and the Stimulus (S) – Organism (O) – Response (R) paradigm. In the framework, the Stimulus (S) is represented by different marketing inputs and instruments (e.g. advertising, information etc.); Organism (O) is represented by the social media environment, and Response (R) refers to marketing outcomes (e.g. customer-specific outcomes, brand-specific outcomes or business outcomes). In Figure 4, we can see that Peters et al. (2013) identified four key

elements of social media within the S-O-R framework: motives, content, network structure and social roles & interactions. The motives represent the drivers of social media actors' behaviors and activities and are based on social, cultural and intellectual values (see also Seraj, 2012). Content as an element is assessed based on three aspects – content quality (e.g. interactivity, vividness, and domain), content valence (e.g. emotions and tonality) and content volume (e.g. counts and volumes). The network structure of the framework can be described along four key dimensions – size (e.g. number of actors in the network), connections (e.g. homophily, mutuality etc.), distributions (e.g. centrality, tie strength) and segmentation (Peters et al., 2013). Finally, the final element refers to social roles and interactions such as expressing, sharing, networking and gaming (see Seraj, 2012). It is important to note that the framework suggests that the elements are intertwined within any type of social media platforms – they continuously interact and reinforce each other. Additionally, Peters et al. (2013) suggest that each of the elements have to be measured and evaluated before evaluating the marketing outcomes such as customer satisfaction, WOM, customer retention, brand awareness, sales, market share and profits.

Rather than establishing an integrated framework to guide social media metrics, several authors aimed at developing new social media metrics or adapting the existing ones, such as ROI, to the specificities of social media environment. In the era of decreasing marketing budgets, there is an ever growing pressure by CEOs and CFO to determine the ROI of social media investments (Hoffman and Fodor, 2010; Weinberg and Pehlivan, 2011). To address this issue, Hoffman and Fodor (2010) argue that an effective way of measuring ROI in social media requires the company to change its approach to measuring ROI by considering the investments *customers* make, rather than the company. The reasoning behind this thinking is that this way of measuring social media ROI not only takes into account short-term goals (e.g. sales growth or cost reduction), but also the long-term returns of corporate investments in social media.

The authors continue arguing that the company, given the specificities of social media, should consider all the behaviors of a customer (e.g. brand engagement, commenting etc.) – all of which can be considered as customer investments in the marketer's social media efforts. As a result, social media ROI is not necessarily measured in currency, but also in different behaviors linked to specific social media platforms. This also means that if ROI is treated as suggested by Hoffman and Fodor (2010), managers cannot be focused on the short-term results. However, the authors also have a relatively narrow understanding of the benefits social media may bring to the company, and limit their thinking to social media campaigns that aim at achieving brand awareness, engagement and WOM, whereas knowledge development and collaborative projects are almost completely disregarded.

Finally, Kumar and Mirchandani (2012) build on the discussion of social media ROI by developing new metrics aimed at measuring the effect and value of social media influence, and linking them to social media ROI and WOM. The Customer Influence Effect (CIE) measures the "the influence the user has on other users in the network in regards to conversations related to a specific topic of interest" (Kumar and Mirchandani, 2012, p. 58). On the other hand, Customer Influence Value (CIV) measures the "monetary gain or loss realized by a social media campaign" (Kumar and Mirchandani, 2012, p. 58). In a follow-up paper, Kumar et al. (2013) link CIE and CIV to sales and profits, and empirically show social media can be used to generate growth in sales, profit and ROI. The importance of their research and framework is precisely in linking and empirically testing the relationship between social media –specific metrics and the "classical" business outcomes such as sales and profit, bringing us closer to answering the ever present question in the minds of CMOs and CFOs– "does social media pay off?".

*3.3.5. Concluding remarks*

To sum up, social media and web 2.0 technologies caused changes in the ways companies approach and practice marketing. As the power shifts from the company to the consumer, the marketers have to adjust their strategies if they want to participate in social media platforms and benefit from it. Following the developments in the field, many scholars began examining the possible strategies and activities of companies in social media. The social media strategy planning process differs from the more „traditional" approach in terms of  the actual behavior companies must adopt in order to be successful. In that context, companies that practice systematic social media research, listening and monitoring for the purpose of knowledge development, and actively and continuously participate in various platforms while engaging both internal and external stakeholders are expected to benefit most from their social media presence. The key difference, as stressed by some authors, is that the company and customer must become partners that engage in continuous, open and honest conversations and collaborations (Kaplan and Haenlein, 2010). Finally, while there is continuous pressure to measure the effects of social media participation in terms of currency other measurements are evolving that also consider the more intangible benefits (satisfaction, loyalty, new product generation, etc.) that emerge based on relationships built and maintained in social media, which we examine in more detail in the next chapter.

## 3.4. Social media and relationship building

When discussing social media and their impact on marketing, Kane et al. (2009) argued that the later has had a significant impact on the development of deeper relationships. The authors argue that community members using social media tools "establish multifaceted relationships that are far richer than those in earlier-generation online communities…as these connections engender deeper trust…" (Kane et al., 2009, p. 3). Recent research supports this claim, as building and maintaining relationships is one of the top reasons for a company's social media participation (Hennig-Thurau et al., 2013;

Michaelidou et al., 2011). Moreover, some authors have portrayed social media as highly useful to foster relationships and interact with customers (de Vries et al., 2012; Hoffman and Fodor, 2010). One way of fostering such relationships is developing and managing online communities (Bagozzi and Dholakia, 2002; Dholakia et al., 2004; Scarpi, 2010) and social media marketing (Chen et al., 2011; de Vries et al., 2012; Michaelidou et al., 2011). The underlying reasoning is the establishment of relationships with customers through interaction and collaboration with a community of users that can generate value for both the consumer and the brand (Mandelli and Accoto, 2010; Muniz and O'Guinn, 2001) which we will address in more detail in the rest of this chapter.

Online communities are based on "…computer-mediated nonprivate discussions among its participants long enough to develop *social relationships* among them" (Brown et al., 2007, p. 3). While people engage in online communities for a number of personal and professional reasons (see for example Bagozzi and Dholakia, 2002; Dholakia et al., 2004) we will focus specifically on relationship building in two types of communities: brand and consumption-based online communities, as these are the most interesting for marketing and marketers (McAlexander et al., 2002). Consumption-related online communities are defined as "affiliative groups whose online interactions are based upon shared enthusiasm for, and knowledge of, a specific consumption activity or related group of activities" (Kozinets, 1999, p. 254). Similarly, online brand communities represent communities specific to brands that are based on sharing brand-related experiences or exchanging information to support their usage (Adjei et al., 2010; Muniz and O'Guinn, 2001; Seraj, 2012).

Relationship marketing, social media and online communities can no longer be considered as new concepts and ideas. However, developing relationships in social media, given its specificities as we described them in earlier chapters, calls for adaptations to this dynamic environment. Contrary to the classical relationship marketing approach, marketers have to take into account that community members tend to be more active and perceptive, less accessible for one-on-one processes and are able to

provide highly valuable cultural information (Brown et al., 2007; Kozinets, 1999). These adaptations and adjustments have produced several new approaches to relationship marketing in the social media environment, to name a few –  VCM or "Virtual Communal Marketing" (Kozinets, 1999),  SCRM or "Social Customer Relationship Marketing" (Ang, 2011b; Woodcock et al., 2011), CoRM or "Community relationship marketing" (Ang, 2011a). However, it is argued that, if marketers want to succeed in developing relationships with communities and community members, they first have to develop knowledge and understanding of different community types, types of community members and interaction modes   (Brown et al., 2007; Kozinets, 1999; Kozinets et al., 2010; Seraj, 2012).

For example, Kozinets, (1999) suggests that community member types can be distinguished based on two factors – relations with the consumption and relations with the virtual community. This leads to four main types of community members: (1) tourist (low relation to the community, passing interest in consumption activity), (2) mingler (strong social ties, low consumption interest), (3) devotee (weak social ties, high consumption interest) and (4) insider (strong social ties and strong personal ties to the consumption activity. It is argued that, given their strong consumption activities, the devotees and insiders tend to be the most interesting to marketing managers. However, it is important to keep in mind that communities are dynamic and flexible, and that today's "tourist" may become tomorrow's "devote" or "insider". In that case, it is also important that the marketer is able to recognize the underlying changes in the interaction modes (i.e. informational, transformational, recreational or relational interaction).

Similarly, Fournier and Lee (2009) define three main forms of community affiliations based on similar dimensions as Kozinets (1999). These are pools (members have shared goals and values but build few interpersonal relationships), webs (similar or complementary needs, strong member relationships) and hubs (shared interest in a key figure with which members have a strong relationship, but weak relationships among members). Additionally, 18 types of members are identified, based on their role within

the community (Mentor, Learner, Back-up, Partner, Storyteller, Historian, Hero, Celebrity, Decision maker, Provider, Greeter, Guide, Catalyst, Performer, Supporter, Ambassador, Accountant and Talent scout).

Understanding community types, the different types of members and their roles and interactions has important implications for marketers and marketing. Using the previously mentioned communal segmentation, marketers can manage relationships with communities by adapting their approach depending on the type of community member they are attempting to establish a relationship with, and avoiding unnecessary and unwanted activities. For example, the communication orientation and interests of a "tourist" and "insider" differ significantly, and a skilled marketing manager will be able to identify these differences and approach the two types of community members differently, with the same end result – establishing a relationship. Research has shown that, as customers refer to the internet for information on their future purchases, online brand and consumption communities are becoming more and more relevant and, in most cases, the primary source of information. Additionally, studies have shown that online brand communities can be an effective tool for influencing sales and customer retention (for both experienced and novice customers) (Adjei et al., 2010). Therefore, understanding community types, member types and community dynamics, and emphasizing the importance of developing online community strategies becomes critical for a company's success.

In that context, Kozinets (1999) proposed a revised framework of relationship marketing adapted to the environment of "retribalized cyberspace communities", which he calls "Virtual Communal Marketing (VCM)". This concept is based on three assumptions that build on the principles of relationship marketing: (1) online consumers are not passive recipients, but active creators; (2) customer relationships with companies can no longer be considered as binodal relationships, but rather as multinodal networks and (3) the value of online data gathering spans beyond one-dimensional aspects and extends do multidimensional possibilities. Based on these assumptions, Kozinets suggests several

strategies for effectively targeting different types of community members and establishing relationships with them. These are interaction-based segmentation, fragmentation-based segmentation, opting communities, paying-for-attention and building networks by giving products away. To a large degree, these strategies are complementary to the relationship marketing process proposed by Gronroos (2004), based on communication, interaction, dialogue and value.

Fournier and Lee (2009) suggest that if the company aims at building a new (brand) community or merely strengthening an existing one, it should facilitate the community members to take on new roles as their needs change over time and argue this to be critical for a community's function, preservation and evolution. In essence – all members of the community are important, because "robust communities establish cultural bedrock by enabling everyone to play a role" (Fournier and Lee, 2009, p. 109). Contrary to this approach, Booth and Matic (2011) argue in favor of identifying influencers whose importance and value lies not only in their direct connections, but also in the value and relevance of their extended, indirect connections. However, we believe that focusing only on influences, and neglecting other community members, may not be a good strategy for several reasons. First, as mentioned earlier, communities in social media are very flexible and dynamic systems - relationships among its members, as well as their roles change over time. This could mean that, by focusing only on currently identified influencers, and not taking into account other interactions and relationships of other community members, the company might overlook the creation of new influencers within the community. Influencers that the company failed to establish a relationship with due to its narrow focus and lack of understanding of community dynamics. Second, each online community develops its own culture, standards and norms. By focusing only on one part of the community, the company might be sending the message that the community itself is not as important as it most influential members. By not respecting the community's structure, culture and dynamics, and trying to impose the company's take on internal relationships between community members, the company is doing more harm than good and will not be able to reap the benefits (Kozinets, 2006; Kozinets et al.,

2010; Seraj, 2012). It is important to keep this in mind and approach the community as a partner, encouraging and facilitating conversations and interactions between community members, and supporting collaborations and generate value, even though these may not directly benefit the company.

The last two approaches that we will briefly address have slowly been gaining momentum in the marketing literature. These are social CRM and community management. Malthouse et al. (2013) argue that the rise of social media has profoundly influenced the way companies manage their customer relationships, and examine how social media has influence the traditional notion of CRM. They propose a descriptive framework they refer to the social CRM house (see Figure 5) that captures the core activities of CRM (acquisition, maintenance and termination) and examines how these are influences by social media.

**Figure 5: Social CRM house**
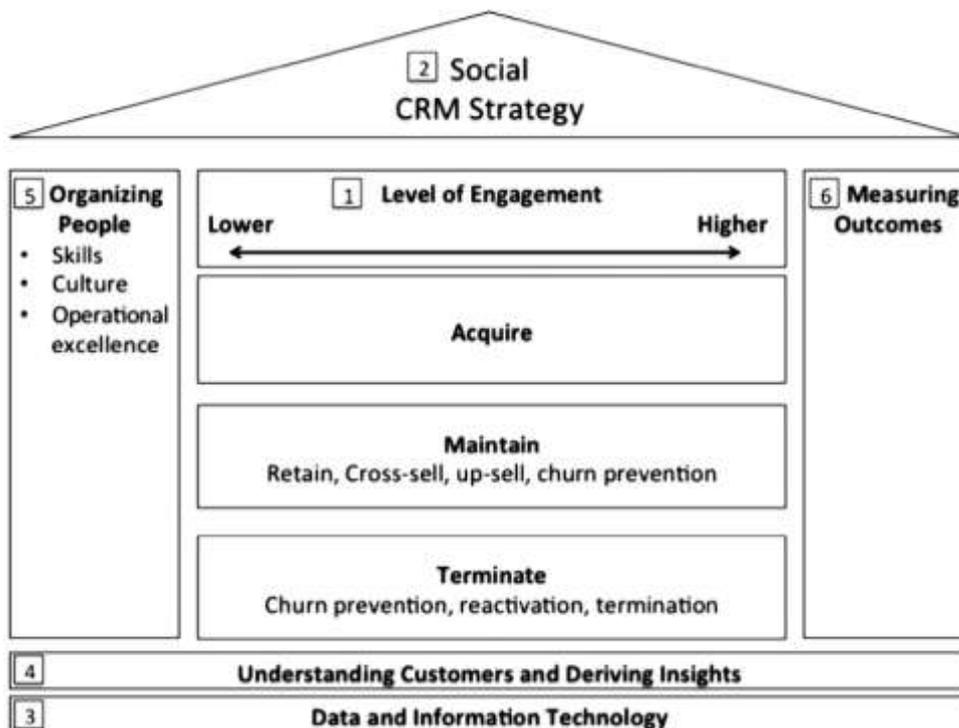


Source: Malthouse et. al., 2013

The authors conceptualize social CRM as consisting of two dimensions – the CRM dimension represented through the three activities at the core of the CRM house, and social media, represented by the level of engagement. According to Malthouse et al. (2013) social media has influenced the traditional CRM is by empowering customers to become active participants in the relationship. Aside from social media influencing the core activities and processes of CRM, it also influence the foundations of the CRM house, shown in Figure 5 as (3) data and information technology and (4) understanding customers and deriving insights; the pillars of the house – (5) organizing people and (6) measuring outcomes and finally, the roof of the house represented by (2) the social CRM strategy. Essentially, social CRM means social media is embedded in all processes and activities of CRM. The pillars of the social CRM house – Organizing people and the Measurement of Outcomes – also require adaptation to the social media environment. As Malthouse et al. (2013) point out, "…employees are at the core of the success of any CRM strategy" (p. 277). This means that employees have to be trained, educated and motivated to meet the full potential of CRM in social media. According to the authors, the key factors of interest in this domain are the empowering (social media) culture, the development of employee skills in social media and operational excellence that reflects the full integration of social media structures and processes with CRM processes. In terms of measuring outcomes, the authors argue that "a company must develop KPIs for each of the components presented in the framework" (p. 277). This view is in line with a recent conceptualization of social media metrics of Peters et al. (2013) and suggests that a wide array of indicators should be used to evaluate the outcomes of social CRM.

Parallel to Malthouse et al. (2013) development of the social CRM framework, another group of authors developed a framework that focuses on the firm-level capability of social CRM. More specifically, Trainor et al. (2013) examine the impact of social media technology use and customer-centric management systems on firm-level social CRM capability and customer relationship performance. They define social CRM as "the integration of customer-facing activities, including processes, systems and technologies with emergent social media applications to engage customers in collaborative

conversations and enhance customer relationships" (p. 1). It is important to note that based on this definition, social CRM is used to *enhance existing* relationships, not develop new ones in the social media environment. The authors relate to existing research by Jayachandran et al. (2005) and their exploration of relational information processes, and define social CRM capabilities as "a firm's competency in generating, integrating, and responding to information obtained from customer interactions that are facilitated by social media technologies" (p. 2). The idea of referring to specific *activities* and *behaviors* of CRM and acknowledging the role and importance of relational information *processes* is important, and can be used as the basis for the conceptualization and operationalization of ROSM. However, it is important to note that in our view, ROSM focuses not only on enhancing relationships with existing customers (as is the case with social CRM), but also with developing new relationships. Additionally, ROSM builds on both CRM and relationship marketing theory and takes into account the activities aimed at building trust and bonding. For that reason, it is important not to confuse social CRM capabilities, social CRM activities and ROSM activities.

While there is no doubt that information technology is an important factor of CRM, social media technology is proving to be an important resource for companies implementing social CRM, as they enable "greater access to customer information either directly through firm-customer interactions or indirectly through customer-customer interactions" (Trainor et al., 2013, p. 3). Here, Trainor et al. (2013) identify and focus on four key components that are of the highest relevance for CRM, namely: sharing, conversations, relationships and groups. Their results indicate high social media technology use, combined with customer-centric managements systems has a positive impact on social CRM capabilities and customer relationship performance. However, the results also show that customer-based management systems are influential only in the B2B context, which the authors explain with the dominantly transactional nature of B2C relationships.

The two frameworks presented above provide valuable insights into the dimensions and potential frameworks for studying social CRM. An important issue is that in these studies, the focus is on answering the question how social media has influenced traditional CRM (Malthouse et al., 2013) and CRM capabilities (Trainor et al., 2013), rather than presenting a full integration and operatinalization of social CRM. Additionally, a potential issue is that Trainor et al. (2013) use a modified social CRM capabilities scale adopted from Srinivasan and Moorman (2005) which is essentially a market orientation scale developed by Jaworski and Kohli (1993). This can cause a lot of confusion as the concepts of CRM and market orientation are conceptually different. Furthermore, adapting an existing measure of market orientation to evaluate a conceptually different construct (i.e. social CRM capabilities) raises concerns regarding the validity of the measure and the relevance of the study. Therefore, before conducting any additional research on the topic, addressing this issue from a conceptual and methodological standing point is of the utmost importance.

Ang (2011) suggests the term social CRM is misleading as online community members are not necessarily customers of the organization – an issue we also pointed out when discussing social CRM above. He suggests the term community relationship management (CoRM) is more appropriate as it more accurately reflects what people actually do in online communities – connect, converse, create and collaborate with each other (Ang, 2011b). As argued by some researchers, one of the common problems of social CRM is that many managers attempt to use it according to the same principles of their existing (and possibly ineffective) traditional CRM systems (Ang, 2011a; Kozinets, 1999)**.** As Kozinets (1999) argues, online relationship marketing has often been operationalized as „...an extension of information technologies and micromarketing pursuits" (p. 257). As we noted in the previous chapter on relationship marketing, CRM, although it is useful in many ways, cannot be considered as a general relationship marketing strategy. Additionally, in the context of online communities, it tends to offer a very narrow view of what constitutes relationship building in such a dynamic and complex environment. While CoRM does seem a better choice, the term „management"

should be taken loosely, and, preferably, focus more on nurturing and facilitating communities by creating conditions in which communities will thrive (Fournier and Lee, 2009).

To sum up, building relationships with consumption and brand-related online communities has been of interest to marketers due to the potential benefits for both the consumer and the brand (Ang, 2011a; Kane et al., 2009; Muniz and O'Guinn, 2001). However, the traditional relationship marketing concepts and paradigms have to be expanded and adapted to the new, highly dynamic and complex social media environment. As suggested by many authors, the key to building successful and fruitful relationships with communities and individuals in social media requires a thorough understanding of the community's culture and norms (Kozinets, 2009, 2006), as well as an insight into the customers' needs and expectations (Malthouse et al., 2013). A skilled marketer will develop a relationship with the community by taking a role and participating in the community in a way that facilitates and encourages communication and interaction between its members, reinforces the community's structure and enables it to prosper and evolve over time. On the other hand, companies that adopt the more "traditional" approach and attempt to control the interactions in the community and/or focus exclusively on the influential members may in fact destroy the community's structure and are advised to rethink their relationship building strategies in social media (Kozinets et al., 2010).

More recently, research on relationship building in social media has turned towards the examination of the impact social media has on traditional CRM. As Hennig-Thurau et al. (2013) point out, social media has caused substantial changes in CRM, as it "…enable relationships to be managed on the level of the individual consumer, something that is especially important but also challenging for firms that have not yet had one-by-one relationships but have only managed anonymous customer segments" (p. 239). Moreover, Malthouse et al. (2013) argue that social media has influenced all the key processes and activities of the traditional customer relationship management, leading to

the development of social CRM. Finally, we can conclude that researchers interested in exploring relationship building in social media have only begun to understand the challenges and complexities of relationship building in this new, highly interactive environment. In this context, we can expect further developments in terms of conceptualizations and frameworks that link various antecedents to relationship building activities in social media and their outcomes.

Consequently, the development and conceptualization of a construct that can capture the specificities and complexities of relationship building in social media is needed. One of the first steps in addressing this gap in the literature is the development of the relationship orientation in social media (ROSM) construct, seen as a set of activities and behaviors in social media aimed at developing and enhancing customer relationships. Such a conceptualization draws on the literature in relationship marketing, CRM, social media and strategic orientation and is at the core of our study. The recent interest in social media metrics (see for example Peters et al., 2013) and the evaluation of the impact social media activities have on different company performances, requires operationalizing the ROSM construct. By developing a measure of ROSM construct, we make the construct operational and applicable in empirical studies. Finally building on existing research and we suggest how ROSM can be linked to various company performance measures.

## 4. STRATEGIC ORIENTATION – PERFORMANCE MODELS

### 4.1. Introduction

Marketing strategy and planning has been recognized as a critical factor for any business that wishes to establish a sustainable competitive advantage (Powell, 2006, 1992; Slater et al., 2006). It is therefore no surprise that the marketing literature is rich in theories and empirical research on the topic. As an example, a substantial body of research has been developed that examines strategy with respect to managerial characteristics (Gupta and Govindarajan, 1984), strategic planning system characteristics (Veliyath and Shortell, 2007, 1993); HRM (Rajagopalan, 1997); organizational structure (Powell, 2006, 1992); corporate-SBU relations (Golden, 1992) and strategy type – performance relations (Matsuno and Mentzer, 2000; Slater and Olson, 2000).

During the late 1970s and early 1980s several authors provided considerable contributions to marketing strategy theory and practice by developing typologies (see for example Miles et al., 1978; Porter, 1980) that were later empirically tested, and are to this day studied in different environments and incorporated into empirical models, often linking various strategic types to specific outcomes (McDaniel and Kolari, 1987; Ormanidhi and Stringa, 2008; Parnell and Wright, 2005). Since that time, the strategy - performance relationship has been widely studied (Cavusgil and Zou, 1994; Golden, 1992; Parnell and Wright, 2005; Slater and Narver, 1993). Parallel to the development of such typologies, the concept of strategic orientation emerged in the literature, and, since then, became one of the dominant fields of study.

Strategic orientation as a concept represents the decisions companies make in order to achieve superior performance, and, contrary to the views of some, define the *broad* outlines for the company's strategy while leaving the details to be completed (Slater et al., 2006). In a similar vein, Gatignon and Xuereb (1997, p. 78) define strategic orientation as "the strategic directions implemented by a firm to create the proper

behaviors for the continuous superior performance of the business". In the early 1990s various (new) forms of strategic orientation came into focus. Among these, market orientation (MO) stands out as the dominant framework that has been examined in different contexts (Gatignon and Xuereb, 1997; Simons, 2006; Slater et al., 2006; Voss and Voss, 2000). Being a central framework, market orientation served as a basis for the development of other types of strategic orientations, for example customer orientation (Appiah-Adu and Singh, 1998; Danneels, 2003), technological orientation (Slater et al., 2006), entrepreneurial orientation (Wiklund and Shepherd, 2003), interaction orientation (Ramani and Kumar, 2008) and relationship orientation (Palmatier et al., 2008; Sin et al., 2002).

In this chapter, we will focus on examining the similarities and differences of four types of strategic orientations – market orientation, customer orientation, interaction orientation and relationship (marketing) orientation. Additionally, strategic orientation-performance models will be examined and compared with relation to performance measures, mediating and moderating variables. Finally, being one of the central constructs of the thesis, special attention will be given to the existing conceptualizations and models of relationship (marketing) orientation.

## 4.2. Overview of strategic orientation – performance models

As mentioned earlier, this chapter will focus on the examination of various strategic orientation – performance models. Three types of strategic orientations have been chosen based on their impact on the discipline, and possible similarities that have to be addressed with respect to the construct of our interest – relationship orientation. These include market orientation as the central type of strategic orientation often used as a baseline for the development of other orientations and models, customer orientation conceptualized either as an integral part of market orientation or an independent orientation and interaction orientation that has recently emerged in the literature and

relies on the concepts and theories of both market orientation and relationship marketing. A brief outline of these orientations and their comparison is shown in Table 9.

**Table 9: Overview of strategic orientations relevant for the field of study**

| | Market orientation | Customer orientation | Interaction orientation |
|---|---|---|---|
| **Definition** | "implementation of the marketing concept" "...organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wise responsiveness to it" (Kohli and Jaworski, 1990) | "...sufficient understanding of one's target buyers to be able to create superior value for them continuously" (Narver and Slater, 1990) ... | ".interaction orientation reflects a firm's ability to interact with its individual customers and to take advantage of information obtained from them through successive interactions to achieve profitable customer relationships (Ramani and Kumar, 2008) |
| **Focus** | Competitors and customers | Customers | Customers |

|  | | | |
|---|---|---|---|
| **Defining constructs** | (1) Market intelligence generation<br><br>    Intelligence dissemination<br>    Responsiveness<br><br>(2) Customer orientation<br>    Competitor orientation<br>    Balanced external<br>orientation | Customer commitment,<br>creating customer value,<br>understanding customer needs,<br>customer satisfaction objectives,<br>measure customer satisfaction,<br>after-sales service | Customer concept<br>Interaction Response Capacity<br>Customer Empowerment<br>Customer Value Management |
| **Outcomes** | Business performance (overall, sales, profits, new product success, ROA),<br>customer responses (customer satisfaction, repeat business for customers);<br>employee responses (esprit de corps, job satisfaction, organizational commitment of employees) | Job satisfaction<br>Organizational Commitment<br>Organizational Citizenship behaviors | Customer-based profit performance<br>Customer-based relational performance |

*4.2.1. Market orientation*

Being a fundamental construct in marketing, market orientation has received a great deal of attention from marketing scholars (for example Jaworski and Kohli, 1996, 1993; Kirca et al., 2005; Kohli and Jaworski, 1990; Matsuno and Mentzer, 2000; Narver and Slater, 1990; Ruekert, 1992). Systematic inquires for richer understandings of the construct were undertaken by Kohli and Jaworski (1990). According to two authors, the marketing concept is commonly defined as a philosophy or way of thinking that guides the allocation of resources and formulation of strategies for an organization, while market orientation is considered to be activities involved in the implementation of the marketing concept. With this definition, three sets of activities - intelligence generation, intelligence dissemination and responsiveness to market intelligence, represent the operationalization of market orientation. Narver and Slater (1990) also conceptualized market orientation and define it as "…the organization culture (i.e., culture and climate) that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business" (Narver and Slater, 1990, p. 21). Such an approach to market orientation resulted in the definition of three behavioral components of market orientation – customer orientation, competitor orientation and interfunctional coordination, along with long-term perspective and profitability as two decision criteria, which were not statistically significant and, as a result, not used in further research. Overall, Day (1994) summed up the features of market orientation as the following: (1) a set of beliefs that the interests of the customers first, (2) the ability of the organization to generate and disseminate intelligence and respond accordingly and (3) the coordinated application of interfunctional resources to the creation of superior customer value.

Looking at the most relevant contributions to market orientation, several similarities and differences emerge in the way various groups of authors approach the construct that require our attention. The two dominant frameworks (those developed by Kohli and Jaworski (1990) and Narver and Slater (1990)) of market orientation share a number of common concepts such as customer focus, intelligence generation and dissemination and

the coordination of activities. Additionally, the authors argue that market orientation should be seen as a *process* or *continuum*, rather than an either/or state, which resulted in the operationalization of the construct as measuring the *degree* to which a company is market oriented (Jaworski and Kohli, 1996; Kohli et al., 1993; Slater and Narver, 1995, 1994a). However, while Kohli and Jaworski (1990) offer a "process-based" view of market orientation and its components, Narver and Slater (1990) stress the importance of market orientation and its cultural values (see also Slater and Narver, 1995), integrating intelligence generation, dissemination and managerial action within each of the three behavioral components of the construct (Slater and Narver, 1994b). Reflecting on Narver and Slater's conceptualization of market orientation, Kohli et al. (1993) argue that the author's may have adopted a too narrow view of the scope of market orientation by focusing on customers and competitors and omitting other factors that may influence customer needs and wants (for example regulation or technology).

Similar concerns have been expressed by Noble et al. (2002) who argue that the potential dominance of customer focus might diminish the importance of other components of market orientation. Additionally, the authors suggest the incorporation of brand focus, defined as "a dimension of market orientation that reflects the firm's emphasis on the development, acquisition and leveraging of branded products and services in pursuit of competitive advantage" (Noble et al., 2002, p. 28). These suggestions, however, were not accepted by the wider academic community, as most researchers still use the "original" market orientation scales. Finally, it is suggested that even though Narver and Slater incorporate market intelligence and dissemination into their conceptualization of the construct, they do not tap into the speed at which this is done within an organization, nor do they identify *specific* activities and behaviors that reflect market orientation (Kohli et al., 1993). We adopt the Kohli and Jaworski (1990) process-based view of market orientation (and strategic orientation in general) that, while acknowledging the cultural perspective, focuses on specific managerial actions and behaviors. In terms of the measurement of the construct, researchers are united in the belief that such a complex construct should be measured using multi-item scales.

In terms of empirical research, market orientation has been studied with respect to various antecedents, outcomes and factors that mediate or moderate the relationship between market orientation and hypothesized outcomes. Studies that examine the outcomes of market orientation dominate the research, and can be categorized into four main groups: (1) organizational performance (e.g. profits, sales, market share, ROA), (2) customer consequences (e.g. customer retention, loyalty, satisfaction), (3) innovation consequences (e.g. new product success) and (4) employee consequences (e.g. organizational commitment) (Jaworski and Kohli, 1993; Kirca et al., 2005). Within this context, extensive research has been done on the impact of market orientation on organizational performance. Given our research objectives and our interest in examining the link between ROSM and performance, we will focus on exploring the literature that specifically links strategic orientation (especially market orientation as a related construct) to company performance.

It has been demonstrated that market orientation has a positive impact on a number of performance indicators such as sales growth (Jaworski and Kohli, 1993), profits and overall performance (Jaworski and Kohli, 1993; Kirca et al., 2005; Slater and Narver, 1994a) and return on assets (ROA) (Narver and Slater, 1990). When other performance measures were used, such as return on investment or market share, researchers reported mixed results. For example, Jaworski and Kohli (1993) found no statistically significant positive impact of market orientation on market share (considered to be a more *objective* measure of performance), and argue this could be due to the fact that companies may not focus on market share positions making market share less appropriate then other subjective performance measures. Additionally, the authors stress that there is the possibility the impact on market share becomes evident if the relationship between the two is studies over a longer period of time. More recent research addressed these issues and found market orientation to have a positive impact on market share (Kirca et al., 2005).

Customer consequences have received less attention in the literature as compared to company performance, and have been examined as a direct outcome of market orientation and as a mediating variable between market orientation and performance. Since one of the principal aims of market orientation is to understand customer needs and preferences and be responsive to them, examining the impact of market orientation on perceived quality, customer satisfaction and customer loyalty becomes inevitable (Brady and Cronin, 2001; Jaworski and Kohli, 1993; Slater and Narver, 1995). In their analysis of market orientation scholarship, Kirca et al. (2005) confirmed that market orientation has a positive impact on all the previously mentioned customer outcomes. However, over time, customer outcomes appeared as mediator variables in various studies, arguing in favor of a hierarchy of effects. Essentially, some authors examined the mediating role of customer consequences in the market orientation – company performance relationship. For example, Slater and Narver (1995) hypothesized the mediating effect of customer satisfaction on the relationship between market orientation, organizational learning and company performance, measured through sales growth and profitability. Similar to the studies focusing on company performance, most studies that examine customer consequences used self-reported measures of customer consequences.

In fact, the majority of early studies focused on using subjective measures of performance (e.g. Jaworski and Kohli, 1993) that are common in research, especially one that pertains to companies. Even though previous studies determined there is a strong correlation between subjective and objective measures (for a more detailed elaboration see for example Harris, 2002; Wall et al., 2004) some authors suggested that a bias could exist when subjective measures are used, as a result of managers overstating their performance (Noble et al., 2002). To resolve some of the measurement issues, Kirca et al., 2005 examined the potential moderating effect of cost-based vs. revenue-based and subjective vs. objective performance measures. They confirmed that subjective measures moderate the market orientation-performance relationship, but stress the general conclusion that the relationship between the two constructs is "relatively robust across different measurement characteristics". However, it is preferable to use multiple

performance measures to correct for potential bias. To correct for the discovered bias, and enhance the research surrounding the market orientation-performance relationship, the use of multiple types of performance measure is advised.

Naturally, the moderating role of measurement characteristics is not the only potential moderator incorporated into various market orientation-performance models. Substantive moderators such as the environment and firm characteristics have often been examined in the literature. The underlying reasoning of the majority of studies was that the role of market orientation and its impact on performance may vary due to environmental factors such as competitive intensity, market or technological turbulence. The underlying reasoning is that a higher degree of competitive intensity strengthens the market orientation – performance relationship, as the absence of competition implies less effort is needed to serve the market thus making market orientation less relevant (Jaworski and Kohli, 1993; Slater and Narver, 1994b). Simply – with limited supply in the market, the customers have no choice but to use the company's products and services, so the company could "get away" with not being particularly focused on the customer. This situation used to be typical of state-owned companies that, for example, produced and distributed gas, oil or electricity prior to the liberalization of markets – they were the sole provider of that particular product or service and did not rely on market orientation as the dominant strategy. As the competition grows, however, these companies had to develop a market orientation and adapt to the changes in the environment.

Similar logic applies when considering market turbulence as a potential moderator. Market turbulence is defined as "the rate of change in the composition of customers and their preferences" (Jaworski and Kohli, 1993, p. 57). If a company a company operates in a relatively stable market with equally stable customer preferences, it need not adapt and modify its activities as compared to a company whose market is characterized by a more turbulent market and constantly changing customer preferences. Finally, authors argue that companies operating in markets characterized by greater technological turbulence benefit less from being market oriented. High technological turbulence,

defined as the rate of technological change, may cause some companies to become more "technologically oriented" and gain their competitive advantage from new technologies rather than from being market oriented. Even though these and other substantive environmental moderators were widely studied, there is very limited research that confirms the impact of the environment on market orientation-performance link (see for example Kirca et al., 2005). This leads to the conclusion that the impact of market orientation on performance is robust, and independent form influences in the environment (Jaworski and Kohli, 1993; Slater and Narver, 1994b).

When it comes to firm characteristics, the moderating effect of product focus on the market orientation – performance link has been confirmed. As the implementation of market orientation requires a lot of adaptation and, essentially, customization, it becomes clear that the cost of customization for service firms is larger than for manufacturing firms. The reason is that for service firms, engaging in customization means focusing on a smaller portion of the market, thus limiting the company's sales and/or market share (Kirca et al., 2005). Additionally, customization for service companies could generate higher costs (e.g. education and staff training) which implies lower profits (Anderson et al., 1994). This leads to the conclusion that companies with a stronger product focus perform better as compared to companies offering services when implementing market orientation, most likely due to lower and less expensive levels of customization. Observing the general findings, we can conclude that market orientation has a positive impact on company performance, and that that influence is largely independent of substantial moderators pertaining to the environment as well as across different measurement characteristics. Even though the literature confirms the moderating effect of product focus, it is important to note that this finding does not imply market orientation is not beneficial for service firms.

As mentioned earlier, there are many other strategic orientations, most of which were based on, or inspired by, market orientation. The two strategic orientations we will address next - customer orientation and interaction orientation – are important not only

due to their connection with market orientation, but also because of their link to relationship orientation, which is at the core of our study. We will briefly describe the two concepts, attempt to explain their similarities and differences and provide an overview of relevant research in order to better position our study.

### 4.2.2. Customer orientation

Customer orientation has been conceptualized as one of three equally relevant behavioral components of market orientation. It has been defined as "the sufficient understanding of one's target buyers to be able to create superior value for them continuously" (Narver and Slater, 1990, p. 21). As the authors emphasize, this understanding not only reflects to the buyers current value chain, but also the understanding (and ideally prediction) of how that value chain will look like in the future. A similar, more general definition has been offered by Deshpandé et al. (1993, p. 27) who see customer orientation as "…the set of beliefs that puts the customer interest first, while not excluding those of all other stakeholders (…) in order to develop a long-term profitable enterprise". Even though the importance of identifying and catering to customer needs is not directly expressed in this definition, it is still in line with the reasoning of both Narver and Slater (1990) and Kohli and Jaworski (1990) who emphasize the importance of customer focus in marketing. According to Narver and Slater (1990) a company that is customer oriented shows that it is committed to creating customer value, aims at understanding customer needs, is driven by customer satisfaction objectives, continuously monitors customer satisfaction levels and aims at providing after-sales customer services. Even though the customer orientation measurement scale has been tested and has reported high reliability, it was reduced to a few items that mainly focused on customer satisfaction objectives and commitment to catering customer needs (see for example Gatignon and Xuereb, 1997).

Over time, customer orientation was explored separate of the market orientation construct, often in relation to other types of strategic orientations. In the recent years there has been a significant body of research developed around the impact of customer

orientation on innovation and new product performance (Gatignon and Xuereb, 1997; Spanjol et al., 2011). The main idea of such research was to examine which of the strategic orientations was the most appropriate in specific environmental conditions for the development of novel ideas and products, and how does that influence new product success and company performance. In such studies, customer orientation was often examined and compared to competitor orientation (Gatignon and Xuereb, 1997; Voss and Voss, 2000), product and technology orientation (Gatignon and Xuereb, 1997; Spanjol et al., 2011) and entrepreneurial orientation (Zhou et al., 2005).

Additionally, customer orientation has also been conceptualized on the individual level. It is interesting to note that some studies identified individual-level customer orientation as an outcome of market orientation (Kirca et al., 2005). More specifically, it has been argued that market orientation (company-level) can result in a higher degree of employee's customer orientation (individual-level). With the exception of Saxe and Weitz (1982), greater attention to the study of individual-level customer orientation has been given during the late 1990s and 2000s, parallel to the development of the market orientation construct. Similar to company-level, individual level customer orientation has been defined as "an employee's tendency or predisposition to meet customer needs in an on-job context" (Brown et al., 2002, p. 111). Since then, individual-level customer orientation has been especially investigated in the service (Brady and Cronin, 2001; Brown et al., 2002) and sales literature (Franke and Park, 2006).

Christensen and Bower (1996) raised a lot of controversy and debate on the relationship between customer and market orientation. Essentially, the authors argue that customer oriented (which they also refer to as market-driven) companies will fail in adopting or developing relevant new technologies or enter important markets *because* of their customer focus, and, as a result, lose their position in the market. This is not to say that these companies are not innovative and do not develop new products or services, but rather that such new developments represent incremental modifications, rather than radical changes that might enable the company to gain a sustainable competitive

advantage. Similar views have been offered by Voss and Voss (2000) who argue that, in specific environments, such as the artistic environment which was at the core of their study, it "might be better to ignore your customer when developing new products" (Voss and Voss, 2000, p. 67). This line of thinking has received a lot of criticism from the very creators of the concepts of market and customer orientation. Slater and Narver (1998) emphasize the difference between two "types" of what is often referred to as "customer orientation" – a "customer – led" philosophy and "market-oriented" philosophy. In their view, "customer-led" companies are focused on understanding and meeting customers' *expressed* needs, and are usually focused on the short-term activities and are reactive in nature. On the other hand, "market-oriented" companies, although they share some of the common characteristics with "customer-led" ones, focus not only on the *expressed*, but also the *latent* needs of customers and attempt to develop new products or services to meet them.

Given these objectives, contrary to "customer-led" companies, "market-oriented" companies have a long-term focus and are typically more proactive then reactive. This debate has inspired new research that focused on identifying and explaining two underlying strategies of market oriented companies. For example, Narver et al. (2004) distinguished between proactive and reactive market orientation strategies, while Jaworski et al. (2000) distinguish between market-driven and market-driving strategies. Still, according to the two groups of authors, still form part of market orientation.

Being related to market orientation, it is to be expected that customer orientation shares a lot of common consequences. Two of the most dominant consequences of customer orientation (regardless of the level of analysis – individual or company-level) are satisfaction and loyalty. In addition to these, company-level outcomes that have been investigated include the previously mentioned new product performance (measured as ROI relative to other products within the company, relative to competitor products, and the degree to which the new product has met the predefined objectives), market share

(measured with both objective and subjective measures), overall company performance, sales etc. (Gatignon and Xuereb, 1997; Spanjol et al., 2011; Voss and Voss, 2000; Zhou et al., 2005). Overall, it has been confirmed that customer orientation has a positive impact on company performance, however, specific contexts (e.g. artistic environment, non-profit sector etc.) have to be considered in which its impact is not as straightforward (Voss and Voss, 2000). Finally, in the light of the previously mentioned debates, special consideration has to be given to the observed scope of customer orientation – defining which needs are being addressed (expressed vs. latent) can make a big difference in examining the impact of customer orientation on company performance.

### 4.2.3. Interaction orientation

The third strategic orientation we will address for the purpose of our study is interaction orientation. As the construct is relatively new, there is very limited literature available that examines its characteristics, antecedents and outcomes. Ramani and Kumar (2008, p. 27) were the first to define interaction orientation as "a firm's ability to interact with its individual customers and to take advantage of information obtained from them through successive interactions to achieve profitable customer relationships". The authors relied on market orientation and CRM literature as the basis for construct development, which resulted in the identification of 4 components: (1) the company's belief in the customer concept, (2) a company's interaction response capacity, (3) a company's customer empowerment practice and (4) a company's customer management practices. As noted earlier, various operationalizations of market orientations focused either on cultural aspects (Narver and Slater, 1990) or behavioral components (Kohli and Jaworski, 1990). However, as we can see from the main components of interaction orientation, the authors take on a holistic view, and incorporate both culture-based (i.e. customer beliefs) and behavioral components (activities and practices related to response capacity, customer empowerment and customer value management).

In explaining the construct, the authors argue that interaction orientation differs from similar constructs such as relationship orientation and customer-relating capability, as it "is precisely defined in terms of its four specific components" and is "specific and actionable and can be adopted by firms to achieve superior performance" (Ramani and Kumar, 2008, p. 29). There are several things in this line of reasoning that require our attention. First, the authors imply that the main difference between relationship and interaction orientation lies in the specific definition of construct components. However, this only implies that relationship orientation as a construct has not yet been operationalized adequately. Additionally, following the line of reasoning of Kohli and Jaworski (1990), if market orientation represents the implementation of the marketing concept within a company, then interaction orientation (should) represent the implementation of interactive marketing which is conceptually very different from relationship marketing or relationship orientation. As a reminder of the concepts addressed in chapter 2 of this thesis, interaction is viewed as only one part of the relationship marketing process (Gronroos, 2004). Therefore, the difference between relationship orientation and interaction orientation spans beyond the level of operationalization of the constructs.

Second, the authors argue that interaction orientation is specific as it focuses on specific activities and processes, while relationship orientation and customer-relating capability do not. However, contributions to the literature suggest otherwise, with research examining precisely the impact of various relational activities and customer-relating capabilities on company performance (see for example Deshpandé et al., 1993; Palmatier et al., 2008; Sin et al., 2002). Many other strategic orientations have been developed that can be characterized as "specific and actionable", with an impact on company performance (e.g. customer orientation, technological orientation), some of which we described in more detail earlier in the chapter. Finally, even though the authors report the results of discriminant validity testing, they focused on discriminating between the dimensions of interaction orientation. However, they do not test for discriminant validity between interaction orientation and other potentially similar constructs (see for example

Narver and Slater, 1990) that would strengthen their argument in favor of the differences between the three constructs.

In terms of specific outcomes of interaction orientation, it has been linked to two groups of customer-based measures of performance: (1) customer-based relational performance and (2) customer-based profit performance, which is in line with previous literature in marketing, CRM and relationship marketing (Jaworski and Kohli, 1993; Jayachandran et al., 2005). The former refers to measures such as customer satisfaction, customer ownership and positive WOM, while the latter refers to the identification of profitable customers, efficiency of the customer acquisition and retention process and conversion of unprofitable to profitable customers (Ramani and Kumar, 2008). All the measures used in the model are self-reported measures, which is consistent with previous literature. For example, Jayachandran et al. (2005) argue that, even though self-reported measures may influence the results of the study, relative, rather than absolute performance measures for customer relationship performance are more acceptable. Additionally, such objective data is much more difficult obtain and is often considered as confidential by many companies. To tackle this problem, it has been suggested to apply the Lindell and Whitney (2001) procedure to address the possibility of common-method bias and assess the possible influence of the use of self-reported measures. The model presented by Ramani and Kumar (2008) hypothesizes the impact of interaction orientation on customer-based relational performance and customer-based profit performance has confirmed the impact of relationship orientation on both outcomes. However, the hypothesized impact of customer-based relational performance on customer-based profit performance, as well as the impact on aggregate company-level performance have not been confirmed, and can be the subject of further research.

*4.2.4. Concluding remarks*

To sum up, various types of strategic orientation have been examined in relation to different performance measures. For the purpose of our study, we examined the similarities and differences between market orientation as one of the dominant and most studied strategic orientations, customer orientation and interaction orientation. These orientations can be examined from two perspectives: the cultural perspective that emphasizes a company's values and beliefs, and the behavioral, process-based perspective that stresses specific activities and behaviors companies can undertake. Market orientation, for example, has been examined from both perspectives and confirmed to have an impact on a number of performance indicators (e.g. ROA, sales, profits) and customer-related performance indicators (e.g. satisfaction and loyalty). In examining the market orientation-performance models, several potential environmental moderators stand out that have also been used in other strategic orientation-performance models, such as competitive intensity, market and technological turbulence. Being a central construct, market orientation and literature related to it, have served as the basis for the development and testing of other types of strategic orientations, such as customer orientation and interaction orientation. The three orientations differ in their scope/emphasis, as well as core dimensions that they measure. While customer orientation is exclusively culture based, and focuses on identifying and meeting relevant customer needs, interaction orientation is more "comprehensive" in the sense that it incorporates both perspectives and focuses on the impact of interactivity on the development of relationships with customers. These orientations have also shown to have an impact on company performance, as well as specific customer-related performance measures. However, even though they lean on the concept of relationship marketing, they only partially adopt the values or behaviors that pertain to relationship building, maintenance and enhancement. For this purpose, we now turn to a more detailed analysis or relationship orientation.

### 4.3. Relationship marketing as a strategic orientation

*4.3.1. Relationship orientation definition, development and measurement*

Although literature on market orientation (MO) has provided sufficient evidence of the positive relationship between MO and firms' business performance (Jaworski and Kohli, 1993), some scholars have highlighted the importance of relationship marketing orientation (RMO) and its positive effect on performance (Sin et al., 2002). It is almost impossible not to notice that the theoretical development and empirical examination of relationship marketing orientation shares a lot of similarities with market orientation. As noted earlier, relationship marketing emerged as a concept in the 1980s and since then has been widely studied. However, it took more than two decades of conceptual and empirical contributions to the field before the relationship orientation was developed and studied in more detail. As we elaborated earlier in chapter 2 on relationship marketing, most of the studies focused on key dimensions of relationship marketing, such as trust, commitment, communication, conflict handling etc. (see for example Anderson and Weitz, 1992; Diaz Martin, 2005; Fullerton, 2005; Morgan and Hunt, 1994). As Sin et al. (2002) point out, most of the studies that examine the impact of relationship orientation were focused on one or two key dimensions of relationship marketing, but without fully exploring the nature and components or their psychometric properties.. It is only in the past decade that these issues have slowly been gaining momentum.

Before we get into a more detailed analysis of theories and research pertaining to relationship orientation, we will address some of the issues regarding how the construct is being "labeled" in the literature. It is important to note that, even though both the terms "relationship marketing orientation" and "relationship orientation" appear to be used as synonyms in the marketing literature, we see the latter as more appropriate for several reasons. First, following the line of reasoning of Kohli and Jaworski (1990) the term Relationship *Marketing* Orientation would suggest that building relationships falls

under the domain of the marketing department, which is not consistent with the views of Gronroos (1994) and Gummesson (1998) who argue relationships should be established and maintained by marketers and the so-called "part-time marketers" outside marketing departments and the need for cooperation between marketing and other departments (Kandampully and Duddy, 1999). The term "Relationship orientation" is also more appropriate as it tends to shift focus from "marketing" to "relationships" (Grönroos, 2009, 1999). Hence, the term "relationship orientation" (RO) will be used in the rest of the thesis.

Relationship orientation has been defined from different perspectives - the cultural vs. behavioral perspective, or corporate vs. individual perspective (see for example Sin et al., 2002). From an individual perspective, relationship orientation has been defined as "a party's desire to engage in a strong relationship with a current or potential partner to conduct a specific exchange" (Palmatier et al., 2008, p. 175). This approach is more affective, as it reflects the *desire* or *belief,* rather than specific *actions* or *behaviors*. The authors argue that, by defining a buyer's relationship orientation this way, it is possible to reflect the stable and exchange-specific determinants of the buyer's desire to engage in a relationship. A similar approach has been employed in China, where a group of authors aimed at developing and testing relationship orientation in the services sector. In that context, relationship orientation has been defined as "…centering on the creation and maintenance of relationship between two parties of exchange, the supplier as an *individual* and the consumer as an *individual* through the possession of the desire to be mutually empathic, reciprocal, trusting and to form bonds" (Yau et al., 2000, p. 1114). Again, this definition emphasizes relationship orientation at the level of an individual (the buyer/consumer or the seller/company) and focuses dominantly on beliefs rather than activities of these individuals. A similar stream of research can be found in the B2B literature, that defines relationships dependent on conformity to relational norms rather than specific behaviors (see for example Blois and Ivens, 2007, 2006; Ivens and Blois, 2004) .

From a company perspective, it has been argued that customer relationship orientation "…establishes a "collective mind" or a belief system for the organization that considers customer relationship as an asset and drives the choice of means to accomplish this outcome" (Jayachandran et al., 2005, p. 179). This view of customer relationship orientation centers on the *belief* that customer relationships are of central interest to the company. These examples clearly show that even though relationship orientation has been examined mostly at an individual level, with few studies that explore the construct and its components at higher strategic levels - the SBU or company level. Additionally, most relationship orientation measurement scales are culture-based, as they focus on beliefs, rather than on specific processes, activities and behaviors that reflect a company's relationship orientation.

Given the relatively recent developments regarding the relationship orientation construct, there is still no general agreement on its definition, scope and measurement. For example, several studies present two opposing positions and the question whether the construct should be considered as one- or multidimensional still remains open for debate. Similarly, the dimensions that appear as components of the construct vary across different studies. For example, Yau et.al. (2000) conceptualized relationship orientation as a one-dimensional construct consisting of four components – trust, empathy, bonding and reciprocity. Similar components can be found in the research done by Sin et al., (2005), with the addition of communication and shared values as the core components. However, while customer relationship orientation has been conceptualized as a one-dimensional construct measured with a multi-item scale (Palmatier et al., 2008), a company's relationship orientation has been conceptualized as both one-dimensional (Sin et al., 2005; Yau et al., 2000) and multidimensional (Sin et al., 2002). Given the components, or dimensions that constitute relationship orientation, we argue relationship orientation is a multidimensional construct that should be measured with multi-item scales.

Although existing conceptualizations and measures of relationship orientation provide useful insights, it is our view that some of the important theoretical contributions and methodological issues have not been considered. First, by taking a process-based view of relationship orientation, it becomes evident that there are several key dimensions that have been omitted from existing relationship orientation conceptualizations. Sawhney and Zabin (2002) and Gronroos (2004) point out, a relationship is a process, and managing it requires the development of an adaptive learning process that reflects the classical learning cycle – planning, checking, doing and adapting. In other words – such a process must be characterized by continuous learning and adaptation. However – none of the existing relationship orientation conceptualizations reflect such activities and behaviors. The continuous learning and adaptation has also been emphasized by Jayachandran et al. (2005) who argue that relational information processes are specific routines (i.e. activities and behaviors) that "…a company uses to manage customer information to establish long-term relationships with customers" (p. 177). Moreover, research in the field of strategic (and especially market) orientation and organizational learning has continuously emphasized the importance of information generation, dissemination and use (see for example Kohli and Jaworski, 1990; Narver and Slater, 1990; Ramani and Kumar, 2008; Slater and Narver, 1995). Finally, Sawhney and Zabin (2002) argue that in order to create a deeper insight into the customer' needs, wants, habits etc. companies should collect three types of data: explicit data (collected through direct response), implicit data (collected through observation) and derived data (developed by analyzing and modeling existing data). We therefore argue that information, knowledge generation, learning and continuous mutual adaptations play an important role in the process of relationship building and maintenance, and should form an integral part of the relationship orientation construct.

A second issue that emerges regarding relationship orientation measurement is methodological in nature. The existing measures of relationship orientation have been developed and tested in very specific cultural contexts and in specific industries. For example, Yau et al. (2000) and Sin et al. (2002) developed relationship orientation

measurement scales based on interviews with managers of service-based companies in Hong Kong. Even though the scale has been cross validated in the Mainland of China, there are still a lot of cultural differences that influence the way managers view and perceive the importance of relationship building and its components (for example gift giving which is a sign of reciprocity is quite common in Eastern cultures). This essentially means that the manager's responses used to develop and validate the scale are influenced by their own cultures and industry they work in (i.e. the services sector), which raises questions regarding the generalizability of such findings. Therefore, based on the more recent contributions in the literature and taking into account some methodological considerations, we argue relationship orientation should (at least) be tested in other environments (i.e. different cultural contexts, different industries) and modified to reflect the more recent theories (i.e. relational information processes).

The definition of relationship orientation also reveals how the construct differs from other similar constructs we addressed earlier – market orientation, customer orientation and interaction orientation. Although all three constructs reflect customer focus as one of its pillars, the focus is on understanding customer needs and finding appropriate ways of addressing them to benefit both the customer and the company – that is – focus is on information gathering/intelligence generation and responsiveness. These activities partially reflect activities that relate to the *development* of relationships, but given the process-based view we adopt in this study, these orientations do not reflect any activities that relate to the *maintaining* and *strengthening* such relationships by building trust, commitment, bonding etc. Additionally, even though Ramani and Kumar (2008) argue that interaction orientation differs from relationship orientation as it is actionable and specific, while its main focus is on interactions with customers. However, relationship marketing theory argues that communication and interaction, while important, are only a part of the relationship building process (Gronroos, 2004).

*4.3.2. Modeling relationship orientation*

In terms of various models, relationship orientation has been used as an antecedent (Jayachandran et al., 2005), moderator (Palmatier et al., 2008) or key predictor of various types of performance (Tse et al. 2000; Sin et al. 2002). The different role of relationship orientation in such models is a result of the previously mentioned different conceptualizations of the construct. For example, if relationship orientation is defined from a cultural perspective, it has been argued that, given relationship orientation represents a set of beliefs and attitudes, serves as a guide towards the successful implementation of the necessary processes (Jayachandran et al., 2005). Therefore, customer relationship orientation, the authors argue, is an antecedent to relational information processes that, in turn, influence customer relationship performance measured in relative terms and representing customer satisfaction and retention. Their research has confirmed customer relationship orientation, viewed as an integral part of a company's corporate culture, is an antecedent to relational information processes and can have a positive impact on customer relationship performance.

The question of effectiveness of various relationship marketing programs and investments has been widely studied, especially in the business-to-business context (Palmatier et al., 2008, 2006b; Palmer et al., 2005). In their examination of relationship marketing effectiveness in a business-to-business setting, Palmatier et al. (2008) develop a model in which they identify factors that favor a buyer's relationship orientation such as industry relational norms, reward systems, salesperson competence and product dependence. These factors, as the authors argue, influence the buyer's need for relational governance, conceptualized as a buyer's relationship orientation. Additionally, they argue that the buyer's relationship orientation moderates the impact of a salesperson's relationship marketing activities on the buyer's evaluation of the relationship, and ultimately, favorable seller outcomes such as sales performance, share of wallet and a buyer's propensity to switch sellers. One might argue that the seller's relationship marketing activities coincide with our view of the seller's relationship orientation; however, this is not the case. The relationship marketing activities, as seen by Palmatier

et al. (2008) serve more as a general guideline, and do not refer to any specific activities of the seller, but rather the seller's focus on developing, maintaining and strengthening relationships with buyers.

The research has confirmed the positive impact of relationship marketing activities on buyer trust, but not on exchange inefficiency. Additionally, the impact of the buyer's evaluation of the relationship only partially influences the seller's outcomes (Palmatier et al., 2008). For example, buyer's trust positively influences sales performance and reduces the propensity to switch, but does not impact customer share; exchange inefficiencies on the other hand, have been confirmed to lead to influence all three performance measures. However, as the authors point out, the relatively low $R^2$ for all three outcome variables may suggest other relevant drivers of performance or the use of other performance indicators. In terms of the moderating effect of buyer's relationship orientation, research has confirmed the hypothesized impact. More specifically, the impact of the seller's relationship marketing activities on the buyer's evaluation of the relationship is significantly stronger for buyers that believe a close relationship with the seller is crucial for their success.

Finally, it has been suggested that, even though research on relationship marketing effectiveness has provided very useful insights, the theories and concepts presented should be tested in different contexts. Most of the research that links relationship marketing and various performance measures have been conducted either in B2B markets, the service sector or in specific industries. However, the role of context, such as a company's market or offer focus, or online vs. offline, may also be critical in explaining the variations in performance measures. Additionally, by conducting research on different levels (company rather than individual level) and by introducing additional variables that might help develop a deeper understanding for the hypothesized effects (e.g. relationship lifecycle, other outcome variables, other potential moderators such as market and offer focus as suggested by Palmatier et al (2008)). Finally, as mentioned earlier in chapter 2, relationships are a matter of at least 2 parties. Therefore, the

performance of such a relationship can be measured in both sides, while the research on relationship orientation mostly reflects the use of one-sided measures reported by one of the parties involved (either company-based or customer-based). Ideally, to address such complexities in the evaluation of the relationship orientation – performance link, the researchers would consider both the customer and company side. However, such cases are still rare; more often the researchers use subjective measures (e.g. company-reported customer satisfaction) that are easier to obtain (see for example Ramani and Kumar, 2008).

Sin et al. (2002) studied the impact of relationship orientation on business performance in the services sector. They find that relationship orientation positively influences sales growth, market share, ROI, customer retention and overall performance. However, as was the case with models addressed earlier, the $R^2$ values are low, suggesting relationship orientation, as conceptualized by the authors, explains a relatively low variance in each of the outcome variables. This can be explained in several ways. It could mean that there are other variables that need to be taken into account that explain a greater percentage of the variance of the dependent variables (e.g. market orientation, innovation orientation, relative firm size and relative cost have been suggested in the strategic orientation literature). Secondly, a revision of outcome variables may show that some outcome variables may be more appropriate (e.g. WOM, customer loyalty, customer satisfaction, share of wallet). Thirdly, we emphasize our view that, based on relevant contributions in strategic orientation and relationship marketing literature; it is possible that because relationship orientation as a construct is missing a few key dimensions, it cannot predict a higher percentage of variance in company performance. Finally, as suggested several times so far, testing the models in different contexts may contribute to the generalizability of the results and confirm the importance of relationship orientation.

Finally, given the potential important role of context, we now turn to Internet and social media. It has been argued that the Internet, and especially social media have dramatically

changed the way companies are able to approach their customers and other stakeholders and form relationships with them. As Sawhney and Zabin (2002) point out, the Internet has significantly influenced the process in which companies "search, coordinate and monitor their exchanges of products, services and information" (p. 313) and has become the basis for tech-enabled relationship management. The evolution of social media only strengthens this argument, making relationships more relevant for the company for several reasons. Several authors have acknowledged the role social media play in establishing, maintaining and strengthening relationships with various groups of customers. As mentioned earlier in chapter 3 of the thesis, building and maintaining relationships with customers is one of the primary objectives of organizations by building online communities and developing various social media marketing programs (Bagozzi and Dholakia, 2002; de Vries et al., 2012; Hoffman and Fodor, 2010; Michaelidou et al., 2011).

There are several reasons why social media is such a fertile ground for relationship building. Internet and especially social media facilitates and increases information exchange. Now, more than ever before, thanks to web 2.0 technologies, there is more and more information available that enables companies to become more familiar with their customers. Going back to Sawhney and Zabin (2002), it is the implicit and derived data that is becoming not only more important, but also more available thanks to various social media platforms in which people share information and interact with each other. The potential of social media described here greatly corresponds to several relevant defining constructs of relationship marketing described in chapter 2 of the thesis. More specifically, communication, information sharing and interactivity are an important component of both relationship marketing and social media.

Moreover, social media enables companies to leverage information obtained through B2C and C2C interactions to develop greater, stronger bonds with their customers. However, the relationships that are formed in social media are not independent of each other. That is, the very nature of social media dictates that it is a public domain, meaning

that relationships that form between the customers and between the customers and the organization are connected, and reinforce each other.

Finally, the Internet and social media remember everything which means companies have to carefully plan their relationship building activities. For example, communities that form online expect to be approached as equals, and welcome collaborations and open and honest communication and continuous dialogue. In other words, if a company or an organization wants to meet its goal, it has to do so in an open, transparent, committed and trustworthy way. This is an important issue because, while social media can help develop relationships, foul play on behalf of the company in social media can just as easily destroy them. However, it is important to note that the behavior that is expected again coincides to a great degree to some of the cornerstones of relationship marketing – namely trust and commitment. Based on this examination, it is our view that relationship orientation in social media reflects a set of activities and behaviors a company can undertake to develop, maintain and strengthen relationships with customers.

### 4.3.3. Concluding remarks

To conclude, relationship orientation has been conceptualized from a number of very diverse perspectives – attitudinal and behavioral, individual and organizational. The different perspectives cause a lot of difficulties and confusion on what exactly constitutes relationship orientation and how it should be modeled and measured. Additionally, based on recent relationship marketing literature, we argue that existing relationship orientation measurement scales, while providing relevant contributions to theory and practice, fail to take into account all relevant components of relationship orientation and do not provide generalizable results. Therefore, for the purpose of our research, we see relationship orientation as process-based, behavioral and organizational.

In terms of the construct's impact on performance, even though researchers agree all relationship marketing activities are ultimately evaluated on the basis of a company's overall profitability there is limited empirical research available that examines the link between relationship orientation and company performance. The few studies that have been done were focused on specific areas and contexts (e.g. business-to-business and service sector), and are able to explain only a small percentage of variance in company performance. This can be a result of poor construct and model conceptualization, omitting other relevant performance measures and variables or taking into consideration the role of the context. Additionally, the complex nature of relationships needs to be taken into account when determining performance outcomes. As noted earlier, the success of a relationship can be measured on both ends, making it the examination of the relationship orientation-performance link more difficult.

Finally, we have shown that social media and relationship marketing share a lot of common ground due to contextual specificities of social media and the key cornerstones of relationship marketing. More specifically, by examining the relationship marketing literature in chapter 2 and social media literature in chapter 3 of the thesis, we can come to a conclusion that social media, because it facilitates information sharing, dialogue and interactions, is an important tool for companies that aim at establishing and strengthening relationships with their customer through this medium.

To sum up, we believe the gaps identified in the literature speak in favor of (1) the development of a new relationship orientation measurement scale that we adapt to the specific social media environment, (2) the development of a model that captures the impact of relationship orientation in social media on company performance, (3) the consideration of moderator variables that explains the potential differences in the strength of the relationship orientation in social media – performance link.

## 5. RESEARCH DESIGN AND METHODOLOGY

### 5.1. Refined research questions

As mentioned earlier, the widespread use of internet, and especially the emergence of various social media platforms, has significantly changed not only the consumers' methods of accessing content, but has also influenced the way companies and brands approach the consumers. Malthouse and Hofacker (2010) pointed out – "as the interactive media is still in its "adolescence", its role will continue to increase in communicating with customers, distributing products and services, inspiring new products, managing customer relationships and creating new marketing strategies." – emphasizing the impact of social media on all areas of marketing, not just communication.

This view has also been supported by other researchers who argue that social media has had a profound impact on marketing, causing three major changes in marketing – shifts in the locus of power, activity and value (see Berthon et al., 2012) that we examined in more detail in chapter 3. As a result of these changes, the companies have to rethink the way they approach customers in social media, and develop new marketing strategies to support their presence. In that context, one of the main company objectives in social media is the development and strengthening of relationships with current and potential customers (Deighton and Kornfeld, 2009).

However, it has been suggested that marketers have yet to develop proper strategies that enable them to interact with empowered consumers (Day, 2011), cope with data deluge coming from online sites (Day, 2011) and seize the possibilities for collaboration with consumers (Day, 2011; Prahalad and Ramaswamy, 2004). As we described earlier in chapter 3, given that relationship building is one of the key objectives in social media, an approach that adequately reflects such efforts, activities and behaviors is needed – one we refer to as relationship orientation in social media (ROSM).

While much has been written on relationship marketing, the literature reveals very little with respect to the implementation of the concept itself. In the 30 years that have passed since the development of the concept, there have been limited contributions mostly focused on a more general, abstract approach to the implementation of relationship marketing (Gronroos, 1994; Gummesson, 1998, 1997). It is only more recently that the term relationship (marketing) orientation, has been introduced as an operationalization of the construct, developed and tested in specific environments (Sin et al., 2002; Tse et al., 2004; Wadeecharoen and Mat, 2008). Such operationalizations, as discussed in more detail in Chapter 4, revealed certain conceptual and methodological issues.

To sum up, on one hand relationship building is one of the company's main objectives in social media, but it has not been conceptualized or measured adequately. On the other hand, existing conceptualizations of a more general relationship orientation, in addition to having certain conceptual and methodological issues, do not take into account the specificities of the social media context. For this reason, we argue in favor of the development of a new construct - relationship orientation in social media (ROSM), and its operationalization that would enable both academics and practitioners to measure the degree to which a company is oriented towards relationship-building in social media.

As presented earlier in chapter 1, our main focus is to develop an understanding of the key features of relationship orientation in social media (ROSM). Based on the literature review, this general research question has been developed further, resulting in refined research questions guiding the research:

*RQ1a: How can we define relationship orientation in social media (ROSM)?*

and

*RQ1b: How can we measure relationship orientation in social media (ROSM)?*

We address these research questions here in more detail.

### 5.1.1. RQ1a: How can we define relationship orientation in social media (ROSM)?

In general, strategic orientation is defined as "the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business" (Gatignon and Xuereb, 1997, p. 78). The marketing literature is abundant in research on various types of strategic orientations such as market orientation (Jaworski and Kohli, 1996; Narver and Slater, 1990), customer orientation (Appiah-Adu and Singh, 1998; Danneels, 2003), technological orientation (Slater et al., 2006), entrepreneurial orientation (Wiklund and Shepherd, 2003), interaction orientation (Ramani and Kumar, 2008) and relationship orientation (Palmatier et al., 2008; Sin et al., 2002). Each of these has been approached from different perspectives, such as corporate vs. individual perspective or behavioral vs. cultural. Naturally, depending on the perspective adopted by the researchers, the definition and approach to certain types of strategic orientations also differ.

For example, from an individual perspective, relationship orientation has been defined as "a party's desire to engage in a strong relationship with a current or potential partner to conduct a specific exchange" (Palmatier et al., 2008, p. 175). Yau et al. (2000) defined relationship orientation as "…centering on the creation and maintenance of relationship between two parties of exchange, the supplier as an *individual* and the consumer as an *individual* through the possession of the desire to be mutually empathic, reciprocal, trusting and to form bonds" (p. 1114). Both of these definitions reflect the individual perspective that is dominantly cultural in nature. From a company perspective, customer relationship orientation "…establishes a "collective mind" or a belief system for the organization that considers customer relationship as an asset and drives the choice of means to accomplish this outcome" (Jayachandran et al., 2005, p. 179). This view of customer relationship orientation centers on the *belief* that customer relationships are of central interest to the company, but with no reference to specific behaviors that may (or may not) characterize a company as being relationship oriented.

Contrary to this approach, we argue that it is important to explore the behavioral, rather than attitudinal perspective of ROSM. Based on the literature review on relationship marketing (see Chapter 2), social media (see Chapter 3) and strategic orientation (Chapter 4) we aim at defining relationship orientation in social media (ROSM) from a company perspective, and as behavioral and process-based, taking into account the cornerstones of relationship marketing (see Chapter 2) and the specificities of social media (see Chapter 3).

### 5.1.2. RQ1b: How can we measure relationship orientation in social media (ROSM)?

After establishing a working definition of the construct, we can examine how it may be measured. As pointed out by Churchill (1979) "…a critical element in the evolution of a fundamental body of knowledge in marketing, as well as for improved marketing practice, is the development of better measures of the variables with which marketers work." (p. 64) To this day, the view that good measurements are fundamental for research has been emphasized by a number of researchers (Christensen et al., 2011).

It has been suggested that in developing new measures, researchers must follow specific steps in the process of developing an operationalization of a construct. More specifically, Churchill (1979) suggested a procedure for developing better measures that consisted of 8 steps that should be performed and result in a measurement that has satisfactory psychometric properties (i.e. validity and reliability). These steps include a series of activities such as construct domain specification, item generation, data collection, scale item purification, assessment of reliability and validity and the development of norms. The importance of following a rigorous procedure for measurement development has further been emphasized by Peter and Churchill (1986) who argue that "measures that have undergone extensive development and scrutiny are judged to be more valid…" (p. 1). Finally, Peter (1979) described validity and reliability as a *"conditio sine qua non"* of science.

In the literature, the general approach to developing a measure of various types of strategic orientation (i.e. market orientation, interaction orientation, relationship orientation) was based on the procedure and recommendations of Churchill (1979). As a result, the majority of constructs that refer to a certain type of strategic orientation were presented as multidimensional and multiple-item measures.

In the case of relationship orientation, several studies present two opposing positions raising the question whether the construct should be considered as one- or multidimensional. The dimensions that appear as components of the construct vary across different studies. For example, Yau et.al. (2000) conceptualized relationship orientation as a one-dimensional construct consisting of four components – trust, empathy, bonding and reciprocity. Similar components, presented as different dimensions of relationship orientation, appear in the research done by Sin et.al. (2005) in addition to communication and shared values. However, the two groups of authors did not reach a consensus regarding the dimensions of relationship orientation.

In our opinion, the differences between the identified components of relationship marketing are such that they do not meet the condition of unidimensionality (see Gerbing and Anderson, 1988). Therefore, considering the complexity of the construct, and the adopted behavioral and process-based view of ROSM, we argue ROSM is a multidimensional construct that should be measured with multiple-item scales.

### 5.1.3. RQ2: What is the link between ROSM and company performance?

As mentioned earlier, a secondary objective of this study was to explore the ROSM-performance link. More specifically, we aimed at identifying potential outcomes of ROSM, as well as factors that may influence this relationship.

Several changes in the company environment in the past few decades (i.e. maturing markets, changing customer preferences, increasing (and global) competition) have

caused a marketing paradigm shift that incorporates relationship building and one-to-one interactions with customers  (Grönroos, 2011, 1999; Gummesson, 1997).

Additionally, advances in technology have resulted in endless possibilities for interactions between firms and other stakeholders in the relationship building process. Even though various social media platforms were initially seen only as another communication tool, more recent research has shown that social media, other than being a communication/interaction environment, can play a critical role in the development of beneficial, profitable relationships with customers and their communities (Ang, 2011b; Bagozzi and Dholakia, 2002; Parasnis, 2011). Finally, as more and more emphasis is being put on the profitability of marketing actions and investments, both at individual and aggregate levels (Ramani and Kumar, 2008; Reinartz and Kumar, 2000), an investigation of the link between relationship building activities in social media and performance is needed.

### 5.1.4. Outline of research methodology

Based on the identified objectives and research questions presented above, and their exploratory and confirmatory nature, a mixed method approach was chosen as the most suitable. This choice is consistent with the suggested procedure for the development of multi-item measures by Churchill (1979)  that includes both qualitative and quantitative research methods. As a reminder, according to Christensen et al. (2011), mixed methods research is "the type of research in which quantitative and qualitative data or approaches are combined in a single study" and is characterized by (1) equal emphasis on theory generation and testing, (2) equal relevance of both types of data and (3) mixture of statistics and qualitative data reporting.

To answer research questions RQ1a and RQ1b, we conducted research in several consecutive stages that are briefly outlined in Figure 6. As shown in the figure, the main focus in the first stage is to answer the first research question pertaining to the definition

of ROSM (RQ1a). Stages 2 and 3 dominantly focus on answering the second research question that relates to the measurement of ROSM (RQ1b).

**Figure 6: Scale development process**
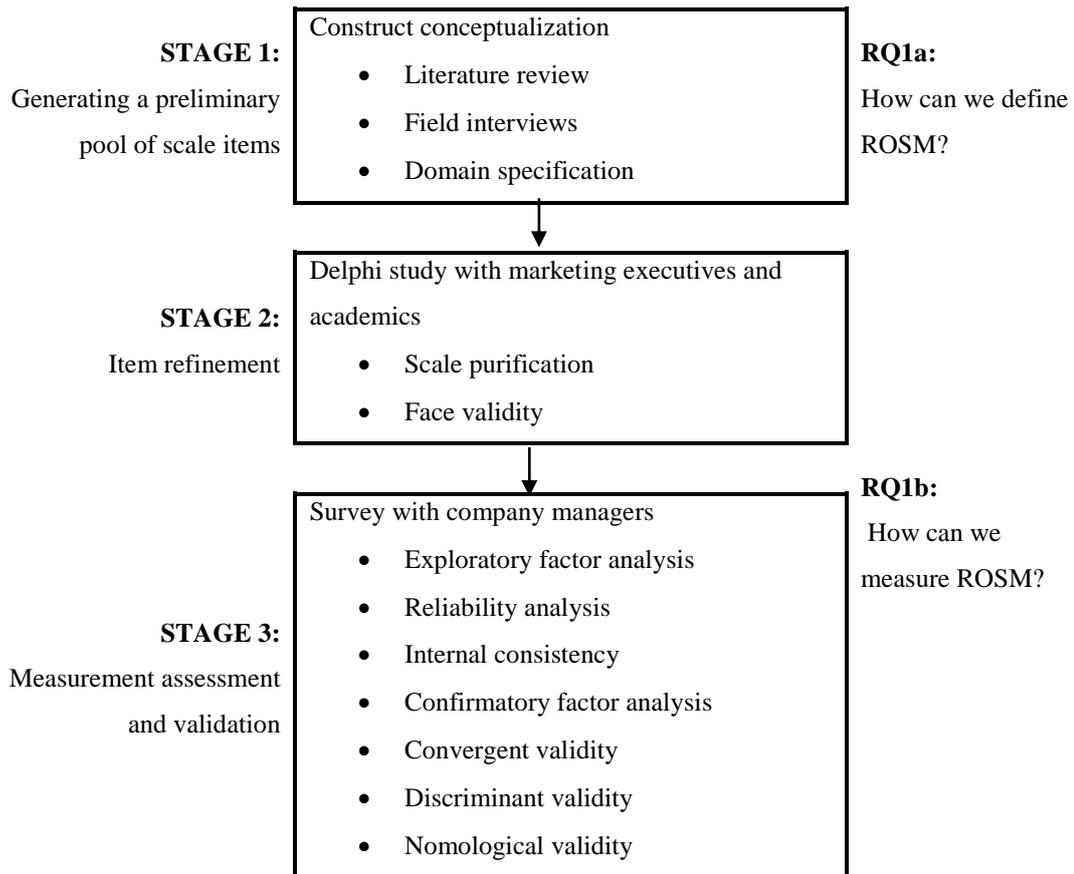


In the first stage we conducted the literature review and field interviews in order to develop a better understanding of relationship orientation and its specificities in social media. More specifically, the main purpose of this stage was to develop a working definition of the ROSM construct and a preliminary pool of items to measure it.

In the second stage, we used the Delphi method to determine face validity, refine and revisit the initial pool of items. This resulted in the refined measurement scale by modifying, adding and/or dismissing certain items.

Finally, in the third stage we focused on measurement assessment and validation. We conducted quantitative research to empirically test the new construct measurement and evaluate its psychometric properties through exploratory and confirmatory analysis, reliability analysis and validity analysis.

To answer RQ2 and explore the link between ROSM and company performance, we conducted field interviews with experts and academics. The interviews also enabled us to develop a better understanding of the outcomes of relationship orientation in social media and to develop a conceptual model that links the two constructs, while taking into account additional influential factors or moderators.

We now move to a more detailed description of the methodologies used.

## 5.2. Stage 1 – Generating a preliminary pool of items

In this research stage, the main focus was on answering the following refined research questions:

*RQ1a: How can we define relationship orientation in social media (ROSM)?*

and

*RQ1b: How can we measure relationship orientation in social media (ROSM)?*

Given that the main focus of this research is to develop an understanding of ROSM characteristics; the first step is to determine the domain of the construct (RQ1a). More precisely, it is required to specifically determine what should be included in the definition, and what should be excluded (Churchill, 1979). Additionally, the findings from the interviews serve as a guideline for the development of a preliminary pool of scale items, as an additional step towards developing an adequate measure of ROSM (RQ1b).

We replicated the procedure Kohli and Jaworski (1990) used in the process of market orientation scale development. A similar procedure was also used by Ramani and Kumar (2008) for the development of the interaction orientation construct and measurement scale. Both of these procedures were based on the procedure developed by Churchill (1979) and used in marketing research. The procedure includes conducting semi-structured field interviews with marketers and non-marketers of different backgrounds and profiles. This is also consistent with the theoretical contributions of Gronroos and Gummesson who argue both marketers and the so called part-time marketers are essential for the implementation of relationship marketing.

A non-random, purposive sampling method was used in order to ensure a wide variety of contributions, perspectives and ideas. The sample included marketing and non-marketing managers in various levels of the company hierarchy in Croatia and Italy. The two

countries were chosen to reduce the possibility of a cultural, political and/or country development stage bias. Close attention was also given to the sample structure, more specifically, the aim was to assemble a sample consisting of large and small companies (measured in the number of employees), from diverse industries, and with different market (B2B vs. B2C) and offer (products vs. services) focus.

A total of 23 companies were included in the sample, with multiple interviewees in different positions and levels of hierarchy, with a total of 30 interviewed managers. Of the 30 individuals interviewed, 19 held marketing positions, 7 held non-marketing positions, and 4 held senior management positions. Organizations of 22 interviewees operated on B2B markets, 11 offered tangible products. In terms of industry and size, the organizations ranged from five employees to over ten thousand, from a wide range of industries – from food and beverages, automobile and telecom to banking, consulting and media. The sample therefore reflects a diverse set of respondents and organizations and can be considered as suitable for the generation of new insights into the topic.

In order to gain insights that might not emerge from the literature review or interviews with managers, additional interviews were conducted with 12 business academics from different universities in Europe and US that have expert knowledge in the field of relationship marketing, CRM, services marketing, business-to-business marketing and digital marketing.

The interviews were conducted in person, via Skype or by phone due to various locations of the interviewees, and were based on a semi-structured questionnaire consisting of two questions adapted from Kohli and Jaworski (1990), that specifically refer to the context of social media:

1. *What does the term „relationship/relationship marketing orientation" mean to you? What kinds of things does a relationship/relationship marketing oriented company do?*

2. *What role do social media play in establishing and maintaining a company's relationship orientation? What does a company do to establish and maintain relationships in social media?*

It is important to stress that these questions provided a general framework for the interviews. Depending on the responses, follow up questions were asked and examples solicited to develop a deeper understanding of the respondents' views. The interviews lasted between 30 and 45 minutes and were recorded unless the interviewee requested otherwise.

The interviews were recorded and transcribed unless the respondents requested otherwise. Additionally, notes were made during the interviews that highlighted statements that were either consistent with the identified theoretical contributions, that were consistent with our view of the construct or that represented a completely opposite views of the respondents. We identified several key categories that reflected different characteristics of relationship orientation (i.e. trust and bonding, commitment, cooperation, communication and interaction, knowledge building/learning) that we based on the existing literature and used as the basis for our coding and categorization of the participants' responses and opinions.

The insights and ideas gained from the interviews were used to better understand the meaning, domain, key activities and processes of relationship orientation in social media.

As a result, and following the framework proposed by Churchill (1979), and used by Jaworski and Kohli (1990), Ramani and Kumar (2008) and others, we generated a preliminary pool of items based on the findings from the interviews, and following the existing literature on relationship marketing, relationship orientation, CRM and social media.

## 5.3.    Stage 2 - Item refinement

Following the Churchill (1979) procedure, to address the question of measuring ROSM (RQ2b) in more detail, we conducted additional research using the Delphi method. In this stage, the Delphi method was used to test the scale items for comprehension, logic, relevance and face validity. This also served as means of purifying the preliminary pool of items by modifying or dismissing items that were not rated as comprehensive, logical or relevant for the construct.

The Delphi method is defined as a technique used to "obtain the most reliable consensus of opinion of a group of experts" through a series of intensive questionnaires or interviews with controlled feedback (Dalkey and Helmer, 1963). The technique itself involves the repeated individual consultation with experts in at least two iterations (Jolson and Rossow, 1971). The number of iterations depends on the level of agreement of the participants. One of the main benefits of this method is that the "impact of psychological factors such as dominant pressure for conformity and an unwillingness to change publically expressed opinion" (Jolson and Rossow, 1971, p. 443) is almost completely avoided. This is one of the main reasons why we opted for the Delphi method instead of the more traditional focus groups. Additionally, Donohoe and Needham (2009) stressed the Delphi method is able to provide valuable insights as it facilitates progress through iterative feedback.

We used a purposive non-random sampling method to select potential participants. More specifically, we targeted marketing executives working in Croatian companies, and academics that specialize in the fields of our interest. An invitation to participate in the study was sent out to marketing executives, alumni of one Master program in Marketing communication management at the Faculty of Economics and Business of the University of Zagreb – the largest university in Croatia and to 7 academics from the same University that specialize in the field of digital marketing and communication, relationship marketing, CRM and marketing strategy. The invitation letter contained a

brief description of the study, followed by a description of Delphi as a research method. As a result, 5 marketing executives and 5 academics that specialize in the field of digital marketing, marketing strategy and CRM confirmed their participation in the study. The number of participants is consistent with the suggestions of Abramowitz, (2004)who argues the Delphi method requires a minimum of 5 willing to participate and share their views and opinions.

Each participant received a questionnaire via email that contained a brief description of their task, the definitions of ROSM and social media, and the list of 37 items developed in the first research stage.  The participants were instructed to rate each item on a 1-5 Likert scale for (1) relevance in relation to ROSM and (2) comprehension/logic. Additionally, the participants were asked to share their opinions and comments regarding the items. After receiving the first round of responses,   a summary was made that contained the average score for each item, followed by a summary of comments. The second questionnaire was then submitted, identical to the first one, with the addition of the first round results and a summary of comments. It is important to note that at times individual participants were contacted to provide additional clarifications of their comments and views regarding the items, before sending the round summary to all participants.

On the basis of the feedback in two iterations, some of the scale items were modified, some were eliminated, and some were collapsed to form new scale items. The final outcome of this research stage was a set of that were later used in the quantitative study.

## 5.4. Stage 3 – Measurement assessment and validation

A final step towards the development of a construct measurement (RQ1b) is the assessment of the psychometric properties of the scale. Therefore, the main purpose of this research stage was to provide empirical validation of the scale by analyzing its psychometric properties – more specifically, reliability and validity. The results of this research stage enable us to provide a definite answer to *RQ1b: How can we measure ROSM?*

### 5.4.1. Sample and data collection

As noted earlier, the third stage of our study consists of a large-scale web-based survey on a sample of marketing managers or others in charge of marketing activities (e.g. CEOs or owners in smaller firms, communication specialists etc.), as they are considered good respondents regarding marketing strategies and firm performance (Atuahene-Gima and Murray, 2004).

The research was conducted on a sample of marketing and non-marketing managers in Croatia, obtained from the Amadeus database, containing 10 000 names and contacts. Using a random systematic sampling method, every 4th entry was selected from the database to form a subsample for scale testing, which resulted in a subsample of 2500 contacts. A structured questionnaire consisted of four main areas: (1) ROSM scale items, (2) market orientation, (3) company performance and (4) general descriptives (e.g. position in company, company size etc.). Market orientation and company performance were included in the questionnaire as the basis for validity testing based on relations to other variables.

The questionnaire was sent out using an online email marketing system to ensure high deliverability and to have more tracking options (e.g. delivery, bounced emails, number of emails opened, click-through rate, forwards etc.). Each potential respondent received

an e-mail explaining the purpose of the study with a link to the web survey, along with a definition of relationship orientation in social media and social media in general. Additional reminders to participate in the survey were sent on a weekly basis.

Finally, to ensure an acceptable response rate and quality of responses, incentives were provided to respondents, based on prior discussions with marketing and HR managers on the type of non-financial incentive that would be the most suitable for respondents holding marketing positions in companies. The final set of incentives included (1) research summary and discussion of findings with special emphasis on managerial implications, (2) free online seminar on building relationships via social media and (3) 1 hour of individual consultation. It is important to note that the respondents were clearly instructed that these incentives will be available only to those respondents that filled out the questionnaire in a given time period, and have submitted relevant and complete information. For example, if the questionnaire was submitted in a given period, but was not fully completed or was completed by dominantly assigning average marks on the Likert scales, the respondent would not be eligible for the online seminar and individual consultation. Reminders were sent on a weekly basis after the initial call for participation was sent, offering the online seminar for the first 20 respondents that compete the questionnaire.

We received a total of 149 responses, resulting in a 5,96% response rate. Following the initial inspection and data screening, 40 responses were removed from further analysis due to a large percentage of missing data, which resulted in 109 responses that entered further analysis. As noted earlier, the general idea was to collect information from a wide range of companies and industries. As a result, the respondents differed in their background, industry and company characteristics (company size, market and offer focus). Of the total number of respondents, 31,2% were marketing managers and executives, 33,9% were non-marketing managers and executives (these typically represent CEOs, company owners and advisors to the management board), while 34,9% did not disclose such information. 34,9% of the companies dominantly operated on the

B2B market, 50,4% on the B2C market, while 14,7% operated equally in both markets. 52,3% of companies dominantly marketed services, 37,6% marketed products, while 10,1% marketed products and services equally. In terms of company size, 12,8% came from micro-sized companies (up to 10 employees), 11% were from small companies (11-50 employees), 16,5% were from medium-sized companies (51-250 employees). Larger companies were also well represented in the sample: 7,3% of respondents came from companies between 251-1000 employees; 15,6% from companies between 1001-10000 employees, and 2,8% from companies with over 10000 employees. Finally, a wide variety of industries was represented, from telecommunications, IT, pharmaceuticals, cosmetics, banking and finance to food and beverages, forestry, oil and gas, automobile, construction and retail. Based on the sample characteristics, we can say that the sample truly represents a wide variety of companies based on several parameters, contributing to the generalizability of the findings.

### 5.4.2. Variable operationalization and measurement

In order to measure the constructs we used self-reported measures which are the most commonly used with this type of constructs (see for example Jaworski and Kohli, 1993; Ramani and Kumar, 2008). Although they can imply some bias, earlier research has shown that the use of self-reported measures is acceptable given that: (a) more objective measures are also prone to bias, (b) data tend not to be available at the desired unit of analysis, and (c) perceptual measures have repeatedly been shown to be reliable (Babakus et al., 1996; Gatignon et al., 2002; Wall et al., 2004).

Where possible, we measured constructs using existing scales available in the literature and refining them to fit the purpose of our study. The scale for measuring relationship orientation in social media (ROSM) was based on items developed in the course of our study. Measures for market focus and offer focus were based on measures previously used by Verhoef and Leeflang (2009). A modified version of the market orientation scale was used based on the work of Jaworski and Kohli (1993) (see Appendix 1). We used

this scale as a reference point for discriminant validity testing for several reasons: (1) the scale also incorporates customer orientation which we also identified as a construct related to relationship orientation, (2) compared to other scales, this MO scale is behavioral and process-based which is in line with our view of ROSM, making it more adequate for discriminant validity testing than other scales.

Business performance and customer level performance were also measured using refined existing scales. Business performance was measured following Im and Workman (2004) and Jaworski and Kohli (1993), while customer-level performance was measured following Ramani and Kumar (2008). For a summary of market orientation, market focus, offer focus and performance measures see Appendix 1.

### 5.5. Exploration of the link between ROSM and performance

During the field interviews additional questions were asked to develop an understanding of the link between relationship orientation in social media (ROSM) and company performance. The procedure included conducting semi-structured field interviews with marketers and non-marketers of different backgrounds and profiles in Croatia and Italy. The two countries were chosen to reduce the possibility of a cultural, political and/or country development stage bias.

The interviews were conducted in person, via Skype or by phone due to various locations of the interviewees, and were based on a semi-structured questionnaire consisting of two questions that specifically refer to the context of social media:

> *1. What are the positive consequences of this orientation? What are the negative consequences?*
>
> *2. Can you think of business situations or contexts where this orientation may be especially applicable or important? Can you think of situations or contexts may not be applicable or important?*

These questions provided a general framework for the interviews. When necessary, probing questions were asked and examples solicited to develop a deeper understanding of the respondents' views.

The interviews lasted between 30 and 45 minutes and were recorded unless the interviewee requested otherwise. Additionally, notes were made during the interviews that highlighted statements that were either consistent with the literature or that represented a completely opposite views of the respondents. Several key categories that reflected different performance measures were identified (i.e. customer-based and business performance measures) that we based on the existing literature and used as the basis for our coding and categorization of the participants' responses and opinions.

## 6. FINDINGS

### 6.1. Introduction

As noted earlier, one of the main purposes of this study is to identify the key features of relationship orientation in social media (ROSM). More specifically, the main questions guiding the research were how to define the ROSM construct (RQ1a) and how to measure it (RQ1b). As described earlier, we conceptualize relationship orientation in social media (ROSM) as multidimensional, behavioral and process-based and evaluate it at a company, rather than individual level.

Christensen et al (2011) point out that good measurements are fundamental for research and refer to reliability and validity as two major [psychometric] properties of good measurement. Validity refers to the "accuracy of inferences, interpretations and actions made on the basis of test scores" (Christensen et al., 2011, p. 145). Messick (1995) pointed out that the traditional categorization should be replaced with „a unified concept of validity" that essentially pertains to construct validity. In that context, construct validity can be examined based on several types of evidence, namely: evidence based on content (e.g. face validity established through expert interviews), evidence based on internal structure (e.g. factor analysis, homogeneity, item-to-total correlation and coefficient alpha) and evidence based on relations to other variables (e.g. tests for nomological, concurrent, convergent and discriminant validity) (see Kline, 2005). For that reason, the main purpose of this chapter is to present the results of several tests from each evidence type conducted to evaluate the properties of the ROSM measurement.

The chapter is organized as follows. We start by presenting the findings that emerged from the field interviews and contrast them with existing theories. We then provide a brief overview of the results from the scale pretest based on the Delphi method. Next, we present the analysis of the quantitative study. We start by a brief overview of preliminary analysis are essential for the rest of the analysis. We then move to a detailed analysis of

the scale and measurement model using SPSS 22, AMOS22 and Microsoft Office Excel. More specifically, we test and analyze the construct's internal structure through exploratory and confirmatory factor analysis, item-to-total correlations and coefficient alpha. Next we test the construct's relations with other variables by examining the construct's convergent, discriminant and nomological validity. Our choice of tests and procedures is consistent with previous research whose aim was the development and testing of similar constructs and measures (see for example  Jaworski and Kohli, 1993; Kohli et al., 1993; Narver and Slater, 1990; Ramani and Kumar, 2008).

## 6.2. ROSM conceptualization – findings from field interviews

As noted earlier, aside from an extensive review of the literature in relationship marketing, social media and strategic orientation, field interviews served as the basis for the development of a working definition of relationship orientation in social media (ROSM) (RQ1a) and the generation of preliminary scale items to measure the construct (RQ1b).

From a broad perspective, Relationship Marketing Orientation (RMO) is defined as the extent to which a company engages in developing a long-term relationship with its customers (Tse et al., 2004). To a large degree, the majority of the respondents, when asked to define what relationship orientation in social media is and how they would describe it, used the same terminology. Therefore, the respondents had a relatively clear idea of what relationship orientation in social media is, and that idea greatly corresponded to the construct's definition in the literature. Several participants explicitly highlighted the following: (1) win-win situation, (2) importance of continuity, (3) primary focus on the customer.

For example, the CEO of a finance consultancy said:

*"…to me relationship orientation is about developing a relationship with a client, customer, supplier or any other associate in order to achieve synergy effects…to establish a win-win situation to our mutual benefit"*

Another interviewee additionally emphasized the fact that relationships are a two-way street, and that both sides have to think of each others' benefit to make the relationship work:

*"…it's not possible to "use" the relationship only to your own benefit. Rather, it is necessary to maintain and enhance that relationship even in situations where you may not have a direct or related benefit…"*

Additionally, several interviewees highlighted the fact that being relationship oriented is an ongoing process, and that such an orientation has to be firmly embedded into the company's overall strategy and philosophy at all levels. A communication executive in a large multinational FMCG company said:

*"…basically the whole business should have that approach or philosophy, or a strategy that is directed specifically towards the development of relationships with customers. Not just temporary, though. It should be a long-term process…"*

These views are consistent with our view of relationship orientation as process based, but also consistent with the views of Gronroos (1996) and Gummesson (1994) who argued in favor of part-time marketers – i.e. relationship building is not a matter of the marketing department only, rather, all employees should participate. This is particularly evident in relationship building in social media – it should not be the exclusive responsibility of the marketing, digital marketing or communications department. Rather, all employees should be encouraged to participate, either internally or externally, provided they are well instructed and follow the established guidelines.

When asked about the key characteristics in terms of specific *behaviors* and *activities* of companies, three key characteristics were among the most frequently mentioned, namely, communication/interaction, trust and commitment.

As noted earlier, trust and commitment are the key defining constructs of relationship marketing. More specifically, trust in relationship marketing refers to the use of resources such that the customer's trust in the resources involved in, and, in the company itself is maintained and strengthened (Gronroos, 1990). Morgan and Hunt (1994) also

refer to trust and commitment as key elements that encourage marketers to work at preserving relationship investments, resist attractive short-term alternatives and view potentially high-risk actions as being prudent because of their relationship with their partners. The interviewees' view of trust and commitment in social media is seen as being trustworthy, sharing accurate, reliable information and being open and honest about the business and its activities.

A sales and marketing manager of a TV company commented:

*"...in social media, it is becoming extremely difficult to, let's say, lie and invent things that may not be completely accurate...today, social media is becoming a type of a tool that enables you to evaluate someone, see if they are telling the truth? Are they really doing what they are saying they're doing?"*

Here we see that trust in social media is considered as more behavioral rather than affective. As a reminder, the affective approach defines trust as "…a belief, confidence, or expectation about an exchange partner's trustworthiness that results from the partner's expertise, reliability, or intentionality" (Anderson and Weitz, 1992; Moorman et al., 1993). From a behavioral standing point, trust reflects „...a behavioral intention or behavior that reflects a reliance on a partner and involves vulnerability and uncertainty on the part of the trustor" (Moorman et al., 1993). As we can see from our example, there is interplay of affective and behavioral characteristics of trust in social media. On one hand, is dominantly determined and build based on the behavior of the parties involved *("...are they really doing what they are saying?")*. On the other hand, engaging in communication and interaction with a company in social media (or any other subject for that matter) requires a certain *belief* that the company is trustworthy. In this context, trust is also determined based on the belief that the company will not misuse the customers' personal information available through various social media platforms.

This brings us to the third key characteristic of relationship orientation - communication and interaction. Morgan and Hunt (1994) assert that communication is a necessary prerequisite of trust and commitment. Similarly, Moorman et al., (1993) conclude that sincere and timely communication, is crucial for developing trust, because "when users sense that researchers are sincere or "truth tellers" ... they extend trust because doing so lessens the vulnerability and uncertainty..."one marketing executive in a large Croatian FMCG company put it:

*"Communication is the key. Communication enables you to provide information, get information, get feedback, criticism, anything you need to enhance the relationship in question"*

This view is consistent with the views of a successful relationship marketing strategy is dominated by communication and interaction processes that, when integrated and implemented successfully, may result in a long-term relationship with the customer (Grönroos, 2011; Gronroos, 2004).

Communication and interaction in social media, however, significantly differs from the one-way communication in traditional media. We already explained how the Web 2.0 and social media brought a radical change to marketing. Before the Web 2.0 era, a company had the ability and power to control the majority of the content being published. Today, the power shifts toward the consumers of content, as more and more consumers become actively engaged in creating, commenting and distributing content related to the company or brand. In such a new context, Kaplan and Haenlein (2010) suggest companies should behave quite the opposite of what marketers were used to doing in the past. For example, communication and interaction in social media should be based on open, transparent, ongoing conversations with consumers, making them feel not only welcome, but also showing their contributions, comments and suggestions are valuable, and giving that value back.

An important finding in our analysis is the role of research, information gathering and knowledge development. As a reminder, one of the main reasons we did not consider using existing RO scales for our research is, in our view, the poor conceptualization of the construct. More specifically, its authors did not incorporate the process nature of relationship marketing, nor did they consider the role and importance of knowledge building and dissemination for relationship development and maintenance. Interestingly, a number of interviewees stressed the importance of having a "system", monitoring and listening in social media as means of gaining new insights.

As an example, the CEO of a Croatian management consultancy firm said:

*"...if a company is truly relationship oriented, then you have to have a system, whether you call it CRM or anything else, where you track what did you do, how did you do it, what was the result, and what and how much does that client mean to you"*

Such views were not reserved for specific industries or the services sector. A senior country manager of a large multinational FMCG company said:

*"5 years ago we only had a corporate website and a few brand websites, but that was it. Today we have several social media accounts for each of our brands. We realized that our customers are much more likely to go to our social media site and give us their feedback on a product, than they would call our 0800 number and say: "Hey I really liked your product!". ... Now we have a well developed system of monitoring social media conversations at the global level that tracks all relevant conversations, posts and comments regarding [our company].*

Similarly, a marketing executive of the largest Croatian ice-cream and frozen foods producer said:

*"We have a person that is dedicated to monitoring all our social media platforms –
posts, comments, suggestions, messages etc. In case we receive negative feedback
regarding one of our products, he immediately informs the marketing department.
Depending on the type of feedback, we then inform other departments such as quality
control, production etc. and respond and react as quickly as possible."*

From these examples, we can see that social media can be used to generate huge
amounts of data and information about customer preferences, customer feedback etc. that
have to be handled systematically. The need for a systematic approach was also
highlighted by an academic that specializes in digital marketing:

*"Social media has enabled the companies to access huge amounts of data about their
customers – what they (don't) want, when and how they want it, their latent and
expressed needs. Most companies however, have troubles handling this amount of data,
categorizing it and ultimately making use of it – a problem we now call big data. ...To
handle that, you definitely need to have a system in place that turns data into
information and knowledge that will be shared within the company"*

Finally, based on the existing literature and findings from the interviews we are able to
develop a working definition of ROSM:

*Relationship Orientation in Social Media (ROSM) represents all activities and behaviors
of an organization in social media aimed at developing, maintaining and enhancing
relationships with current and potential customers.*

Companies can now, more than ever before, develop and maintain long-term
relationships with current and potential customers via social media. ROSM implies using
such platforms to generate knowledge about customers and their preferences,
disseminate it throughout the company and, consequently, use that knowledge to develop

relationships with customers by providing relevant content  and developing mutual trust and bonding..

To conclude, in our research, we adopt a behavioral perspective of relationship orientation in social media as the operationalization of relationship marketing in various social media platforms. Even though Ramani and Kumar (2008) argue the key difference between the concepts of interaction and relationship orientation is that of the level of abstraction (i.e. general definition vs. precise definition and operationalization) we argue that relationship orientation as a concept spans above and beyond mere interactions that may form an integral part of relationship orientation in social media (see for example (Grönroos, 2011; Gronroos, 2004).

Such an orientation, aside from continuous interactions with customers, also incorporates knowledge building and dissemination and the development of trust and bonding. For example, a company that fully adopts relationship orientation in social media does not just use social media to deliver information about its products and answer questions. The company benefits from insights in consumer preferences, attitudes and behaviors towards its products and services consumers express by engaging in conversations with company employees and each other. An additional benefit is derived from involving customers by means of collaborative projects aimed at developing new ideas, products and services. A good practical example is a company like Barilla in Italy with their project "Nel Mullino che Vorrei" invited customers to share their ideas (products, promotions, CSR end other), vote and comment for the best which they later implemented.

Finally, based on the insights form the interviews and the review of the literature, we generated a preliminary pool of 37 items (see Table 10).

**Table 10: Preliminary pool of items**

| # | Item |
|---|------|
| 1 | We use social media to conduct market research. |
| 2 | We use social media to conduct sophisticated research aimed to better understand the behavior of our customers. |
| 3 | We use social media analytics to monitor changes in our social media communities. |
| 4 | We use social media to detect changes in our customers' product/service preferences. |
| 5 | We use social media to identify fundamental shifts in our industry (e.g., competition, trends). |
| 6 | We often participate in seminars to improve our social media skills. |
| 7 | Customer complaints can be filed and tracked using social media in our firm. |
| 8 | We have frequent interdepartmental meetings to discuss industry trends identified via social media. |
| 9 | Marketing personnel spend time discussing customers' future needs identified via social media with other departments (e.g. R&D, production, sales...). |
| 10 | Data collected using social media are disseminated at all levels on a regular basis. |
| 11 | When one department finds out something important about competitors using social media, it is quick to alert other departments. |
| 12 | The social media activities of the different departments are well coordinated. |
| 13 | We encourage our employees to actively participate in our social media platforms. |
| 14 | We often discuss our social media strategy across different departments. |
| 15 | We pay attention to changes in our customers' products or service needs using social media. |
| 16 | When our customers want us to modify a product or service, we announce that change using social media. |
| 17 | We use social media to get customer feedback on products/services. |
| 18 | We use social media to develop/design new products/services with our customers. |
| 19 | We use social media to respond to customer complaints. |
| 20 | We are slow to respond to customer comments on our products/services via social media. (R) |

| 21 | If a major competitor launched an intensive campaign targeting our customers, we would respond immediately using social media. |
|----|---|
| 22 | We use findings from social media platforms to make adjustments in our strategies. |
| 23 | We make sure the content we publish on our social media is trustworthy. |
| 24 | We have strict policies and guidelines with respect to social media in place to protect the privacy of our customers. |
| 25 | We never make promises in social media we are not able to keep. |
| 26 | We never publish information in social media that do not come from a reliable source. |
| 27 | We aim at delivering relevant content to our customers via social media. |
| 28 | We integrate communication across various social media platforms (e.g. Facebook, Twitter, LinkedIn, Instagram, blogs...) |
| 29 | We often invite our customers to share their opinions via social media. |
| 30 | We encourage customer-to-customer conversations in social media. |
| 31 | Most of our content in social media comes from other sources. . |
| 32 | We are willing to go the extra mile to provide information for our customers via social media. |
| 33 | We make sure our presence in social media is continuous. |
| 34 | We publish content that is exclusively available via social media. |
| 35 | We tend to avoid conflicts in social media platforms by deleting undesirable messages/posts. |
| 36 | We try to solve conflicts that may arise in social media before they create greater problems. |
| 37 | We are free to openly discuss problems that arise in social media platforms. |

## 6.3.    Item refinement

In the second stage we conducted the Delphi research to test the scale items for comprehension, logic, relevance and face validity. This also served as means of purifying the scale by modifying or dismissing items that were not rated as comprehensive, logical or relevant for the construct. Additionally, Donohoe and Needham (2009) stressed the Delphi method is able to provide valuable insights as it facilitates progress through iterative feedback.

In our research, the Delphi study was conducted in two iterations. After each iteration, we calculated the mean, median and range to determine the degree to which individual respondents' answers converge. According to Jolson and Rossow (1971), "to be of value to decision making, the group response (defined as the median of each round's median responses) should move in the same direction" (p. 445). The first round already showed a significant convergence of the responses. For example, in the first round, the average mean for the item's comprehensiveness was 4,38 and the average mean for item's relevance to ROSM was 4,26 (both were evaluated on a 1-5 point Likert scale). Additionally, based on respondents' comments from the first round, four new items were formulated, resulting in 41 items in total. In the second round, the respondents' answers converged further: the average mean for the item's comprehensiveness was 4,46, and the average mean for item's relevance to ROSM was 4,33 (both were evaluated on a 1-5 point Likert scale).

A summary of the Delphi results of the first round and second round is shown in the Appendix 2 and 3. Based on the analysis, 11 items were dropped based on low comprehension and relevance scores, and 6 items were collapsed into 3, resulting in 27 items that entered further analysis (see Table 11).

**Table 11: Purified list of items**

| # | Purified items | Label |
|---|---|---|
| 1 | We systematically track and respond to customer complaints in social media | ROSM_3 |
| 2 | We integrate communication across various social media platforms. | ROSM_18 |
| 3 | We facilitate customer-to-customer conversations in social media. | ROSM_19 |
| 4 | We will go the extra mile to provide information for our customers, even if it's not directly connected to our products or services | ROSM_20 |
| 5 | Our presence in social media is continuous. | ROSM_21 |
| 6 | We do our best to resolve conflicts that may arise in social media before they create bigger problems | ROSM_22 |
| 7 | We publicly reward our customers' suggestions and contributions in social media | ROSM_25 |
| 8 | We enable our customers' comment on our content in social media | ROSM_26 |
| 9 | We actively and transparently participate in our customers' online communities | ROSM_27 |
| 10 | We make sure the content we publish in social media is trustworthy. | ROSM_13 |
| 11 | We have strict policies and guidelines with respect to social media in place to protect the privacy of our customers. | ROSM_14 |
| 12 | We never make promises in social media we are not able to keep | ROSM_15 |
| 13 | We never publish information via social media that do not come from a reliable source | ROSM_16 |
| 14 | We aim at publishing content that is relevant to our customers via social media | ROSM_17 |
| 15 | We openly discuss problems that arise in social media conversations with our customers | ROSM_23 |
| 16 | Data collected using social media are systematically disseminated at all levels of the company | ROSM_5 |

| 17 | The activities of different departments in social media are well coordinated | ROSM_6 |
| --- | --- | --- |
| 18 | We encourage our employees to actively participate in our social media platforms | ROSM_7 |
| 19 | We use social media to determine what is relevant for our customers and their communities | ROSM_1 |
| 20 | We use analytical tools and statistics to track changes in our social media communities | ROSM_2 |
| 21 | When our customers want us to modify a product or service, we announce it in social media | ROSM_9 |
| 22 | Marketing personnel spend time discussing customers' future needs identified via social media with other departments (e.g. R&D, production, sales...). | ROSM_4 |
| 23 | We track and use for our decisions customer feedback on products/services expressed via social media | ROSM_8 |
| 24 | We use social media to develop/design new products/services in collaboration with our customers | ROSM_10 |
| 25 | We use findings from social media platforms to make adjustments in our strategies | ROSM_12 |
| 26 | We systematically collect and manage data about individual customers via social media. | ROSM_24 |
| 27 | We are slow in responding to customers' comments about our products/services in social media | ROSM_11 |

### 6.4. Measurement assessment and validation

As noted earlier, the final step in the scale development process is the analysis and testing of its psychometric properties. By analyzing construct reliability and validity, we provide the final details needed to answer the second research question pertaining to the measurement of ROSM (RQ1b).

#### 6.4.1. Preliminary analysis

Data manipulation included computing new variables for the reversely worded scale items and computing scale and subscale sum scores. Next, the remaining 10% of missing data was replaced with score means. We analyzed the data for normality and examined the skewness and kurtosis of the observed variables. Additionally, we did a visual inspection of histograms and boxplots to identify any outliers. For variables that did not meet the condition of normality (i.e. skewed and/or with identified outliers) we performed a reflect and logarithm (log10) transformation method based on the suggestions of Tabachnick and Fidell (2007).

#### 6.4.2. Exploratory assessment

To test the construct's internal structure we first conducted exploratory and confirmatory factor analysis and analysis of homogeneity by examining item-to-total correlations and coefficient alphas. Given the primary purpose of our study, both types of factor analysis were conducted based on suggestions by Gerbing and Hamilton (1996, p. 62) who argue that „exploratory factor analysis can contribute to a useful heuristic strategy for model specification prior to cross-validation with confirmatory factor analysis". Finally, the construct's relationship to other constructs is examined by analyzing convergent, discriminant and nomological validity.

Given a relatively small sample (n=109) and our analysis of choice, we identified two issues that required our attention – namely sample size and strength of the relationships among variables. While there have been many discussions concerning the appropriate sample size for factor analysis, often arguing factor analysis is a technique for large samples, there is still no generally accepted sample size that is considered suitable for factor analysis. For example, Tabachnick and Fidell (2007) suggest that „it is comforting to have at least 300 cases for factor analysis" (p. 613). On the other hand, Nunnally (1978) takes on a different approach and recommends a 10 to 1 ratio; that is, ten cases for each item to be factor analyzed. More recent suggestions argue a smaller, 5 to 1 ratio is adequate in most cases (see Tabachnick and Fidell, 2007). However, (de Winter et al., 2009) argue that even though a sample size of 50 is considered a bare minimum, „EFA can yield reliable results for N well below 50 when data are well conditioned (i.e. high level of loadings, low number of factors, high number of variables), even in the presence of small distortions".

The second issue is the strength of the correlations among the items. Tabachnick and Fidell (2007) suggest coefficients greater than .3 in the correlation matrix should be used as a guideline when assessing the strength of correlations among items. In addition, two statistical measures assess the suitability of the sample size: Bartlett's test of sphercity and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy.

A visual inspection of item correlations shows a large number of correlations well above 0.3 (for a full overview of the correlation matrix see Appendix 3). Bartlett's test of sphercity was significant at .00 level, while the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was .913. All these indicators point to a conclusion that the sample is suitable for factor analysis (see Table 12).

**Table 12: KMO and Bartlett's Test**

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | ,913 |
|---|---|---|
| Bartlett's Test of Sphericity | Approx. Chi-Square | 2184,178 |
| | df | 351 |
| | Sig. | ,000 |

First we conducted exploratory factor analysis to evaluate the construct's internal structure and to purify the scale. We used principal component analysis (PCA) with Direct Oblimin rotation to determine the number of factors. As noted earlier, since we take on a process-based view of ROSM, the Oblimin rotation was more appropriate since it assumes a correlation between the factors. The analysis resulted in five factors with eignevalues above 1, that explain 47,0%, 8,8%, 5,6%, 4,4% and 3,9% of variance respectively (see Table 13). An inspection of the scree plot also suggests a five factor model (see Appendix 4).

**Table 13: Total Variance Explained**

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings[a] |
|---|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total |
| 1 | 12,7 | 47,0 | 47,0 | 12,7 | 47,0 | 47,0 | 9,5 |
| 2 | 2,4 | 8,8 | 55,7 | 2,4 | 8,8 | 55,7 | 6,6 |
| 3 | 1,5 | 5,6 | 61,4 | 1,5 | 5,6 | 61,4 | 7,7 |
| 4 | 1,2 | 4,4 | 65,8 | 1,2 | 4,4 | 65,8 | 1,3 |
| 5 | 1,0 | 3,9 | 69,7 | 1,0 | 3,9 | 69,7 | 8,1 |
| 6 | 1,0 | 3,6 | 73,2 | | | | |
| 7 | 0,8 | 3,0 | 76,2 | | | | |
| 8 | 0,8 | 2,9 | 79,2 | | | | |
| 9 | 0,7 | 2,5 | 81,7 | | | | |
| 10 | 0,5 | 1,9 | 83,6 | | | | |
| 11 | 0,5 | 1,8 | 85,4 | | | | |
| 12 | 0,5 | 1,7 | 87,2 | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 13 | 0,4 | 1,5 | 88,6 | | | | |
| 14 | 0,4 | 1,4 | 90,0 | | | | |
| 15 | 0,4 | 1,3 | 91,3 | | | | |
| 16 | 0,3 | 1,2 | 92,5 | | | | |
| 17 | 0,3 | 1,0 | 93,6 | | | | |
| 18 | 0,3 | 1,0 | 94,6 | | | | |
| 19 | 0,2 | 0,9 | 95,4 | | | | |
| 20 | 0,2 | 0,8 | 96,2 | | | | |
| 21 | 0,2 | 0,7 | 96,9 | | | | |
| 22 | 0,2 | 0,7 | 97,6 | | | | |
| 23 | 0,2 | 0,6 | 98,2 | | | | |
| 24 | 0,1 | 0,5 | 98,7 | | | | |
| 25 | 0,1 | 0,5 | 99,2 | | | | |
| 26 | 0,1 | 0,4 | 99,6 | | | | |
| 27 | 0,1 | 0,4 | 100,0 | | | | |

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Next, we examined the factor loadings. An inspection of the pattern and structure matrices indicated a three or four factor model might be more appropriate, as only two item loaded significantly on factor four (see Table 14). This view is in line with Gorsuch (1997) who recommends restricting the number of factors to "those having three salient variables" (p. 545) to adjust for the tendency to keep too many factors. Additionally, we found that the communalities for some items were relatively low (see for example item ROSM 14).

**Table 14: Communalities, pattern and structure coefficients of ROSM**

| Item Label | Communalities | Pattern coefficients | | | | | Structure coefficients | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **1** | **2** | **3** | **4** | **5** | **1** | **2** | **3** | **4** | **5** |
| ROSM_13 | 0,7 | 0,2 | **0,8** | -0,1 | 0,0 | 0,0 | 0,5 | **0,8** | 0,3 | 0,0 | 0,3 |
| ROSM_15 | 0,8 | -0,1 | **0,9** | 0,0 | 0,0 | 0,1 | 0,3 | **0,9** | 0,2 | 0,1 | 0,3 |
| ROSM_16 | 0,8 | -0,1 | **0,9** | 0,0 | 0,0 | 0,0 | 0,2 | **0,9** | 0,2 | 0,0 | 0,2 |
| ROSM_17 | 0,7 | 0,4 | **0,6** | -0,1 | -0,2 | 0,0 | 0,6 | **0,8** | 0,3 | -0,1 | 0,4 |
| ROSM_18 | 0,5 | **0,6** | -0,1 | 0,0 | 0,1 | 0,3 | **0,7** | 0,3 | 0,4 | 0,1 | 0,5 |
| ROSM_20 | 0,7 | *0,3* | 0,2 | 0,1 | 0,2 | 0,4 | **0,6** | 0,5 | 0,5 | 0,2 | 0,6 |
| ROSM_21 | 0,8 | **0,8** | 0,2 | 0,0 | 0,0 | 0,0 | **0,9** | 0,5 | 0,5 | 0,0 | 0,5 |
| ROSM_22 | 0,7 | **0,5** | 0,3 | 0,2 | 0,0 | 0,0 | **0,8** | 0,6 | 0,5 | 0,0 | 0,5 |
| ROSM_23 | 0,6 | 0,2 | **0,5** | 0,2 | 0,0 | 0,1 | 0,6 | **0,7** | 0,5 | 0,0 | 0,5 |
| ROSM_26 | 0,7 | **0,8** | 0,2 | 0,0 | 0,0 | 0,0 | **0,8** | 0,5 | 0,4 | 0,0 | 0,5 |
| ROSM_1 | 0,7 | *0,3* | 0,1 | 0,3 | -0,4 | 0,2 | **0,6** | 0,3 | 0,6 | -0,4 | 0,6 |
| ROSM_2 | 0,7 | *0,3* | 0,1 | 0,3 | -0,3 | 0,2 | **0,6** | 0,4 | 0,6 | -0,4 | 0,6 |
| ROSM_3 | 0,8 | **0,7** | 0,2 | 0,4 | 0,0 | -0,2 | **0,8** | 0,5 | 0,6 | 0,0 | 0,4 |
| ROSM_4 | 0,7 | 0,2 | 0,1 | *0,4* | -0,2 | 0,3 | 0,6 | 0,4 | **0,7** | -0,2 | 0,6 |
| ROSM_5 | 0,8 | -0,2 | 0,0 | **0,9** | -0,1 | 0,1 | 0,3 | 0,3 | **0,9** | -0,2 | 0,5 |
| ROSM_6 | 0,8 | 0,1 | 0,0 | **0,8** | 0,1 | 0,0 | 0,5 | 0,3 | **0,9** | 0,1 | 0,5 |
| ROSM_7 | 0,7 | 0,0 | 0,0 | **0,8** | 0,2 | 0,1 | 0,4 | 0,3 | **0,8** | 0,1 | 0,5 |
| ROSM_8 | 0,7 | 0,1 | 0,0 | 0,1 | 0,0 | **0,7** | 0,5 | 0,3 | 0,6 | -0,1 | **0,8** |
| ROSM_9 | 0,6 | 0,3 | 0,0 | 0,0 | 0,0 | **0,7** | 0,6 | 0,3 | 0,4 | -0,1 | **0,8** |
| ROSM_10 | 0,8 | -0,1 | 0,0 | 0,1 | -0,1 | **0,9** | 0,4 | 0,3 | 0,5 | -0,1 | **0,9** |
| ROSM_12 | 0,7 | -0,1 | 0,2 | 0,0 | 0,0 | **0,8** | 0,4 | 0,4 | 0,4 | 0,0 | **0,8** |
| ROSM_19 | 0,8 | **0,6** | 0,0 | 0,1 | 0,2 | 0,4 | **0,8** | 0,4 | 0,5 | 0,1 | 0,7 |
| ROSM_25 | 0,6 | **0,8** | 0,0 | -0,1 | 0,0 | 0,1 | **0,8** | 0,3 | 0,3 | 0,0 | 0,4 |
| ROSM_27 | 0,6 | **0,7** | 0,0 | 0,1 | 0,0 | 0,0 | **0,8** | 0,4 | 0,5 | 0,0 | 0,4 |
| ROSM_14 | *0,4* | 0,1 | *0,4* | 0,3 | 0,1 | 0,1 | 0,4 | **0,6** | 0,5 | 0,1 | 0,4 |
| ROSM_11 | 0,7 | 0,2 | 0,0 | 0,2 | **0,8** | 0,1 | 0,3 | 0,2 | 0,3 | **0,8** | 0,2 |
| ROSM_24 | 0,6 | 0,2 | -0,1 | 0,4 | ***-0,4*** | 0,2 | 0,5 | 0,2 | 0,6 | ***-0,5*** | 0,5 |

Note: Highest values are presented in bold. Lowest values are presented in bold italic

Additionally, 6 items had relatively low factor loadings (see Table 14, items presented in italics). As suggested by Hair (2010) given our sample size, the lowest acceptable factor loading should be ,5 which we used as a cutoff.

Given the issues described above, and following the recommendations of Tabachnick and Fidell (2007) we adopted an exploratory approach and conducted additional SPSS runs with different factor constraints and items until a satisfactory solution was found. The results and are shown in Tables 15 and 16 below. The final solution is a result of dismissing 3 items: ROSM 11, ROSM 14 and ROSM 24. The reason for removing the items is their relatively low communalities as compared to other items (,4 and ,6; see Table 12), relatively low factor loadings (,4 for ROSM 14) and significant loading on one factor (ROSM 11 is the only item that loaded on factor 4).

The solution that was considered an acceptable one was a three-factor model (see Table 15), with factor 1 accounting for 49,6% of variance, factor 2 with 9,3% of variance and factor 3 with 6,2% of variance.

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**Table 15: Total Variance Explained**

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings[a] |
|---|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total |
| 1 | 11,9 | 49,6 | 49,6 | 11,9 | 49,6 | 49,6 | 9,2 |
| 2 | 2,2 | 9,3 | 59,0 | 2,2 | 9,3 | 59,0 | 6,1 |
| 3 | 1,5 | 6,2 | 65,2 | 1,5 | 6,2 | 65,2 | 9,5 |
| 4 | 1,1 | 4,4 | 69,6 | | | | |
| 5 | 1,0 | 4,1 | 73,7 | | | | |
| 6 | 0,8 | 3,3 | 77,0 | | | | |
| 7 | 0,7 | 3,0 | 80,0 | | | | |
| 8 | 0,5 | 2,2 | 82,2 | | | | |
| 9 | 0,5 | 2,0 | 84,2 | | | | |
| 10 | 0,4 | 1,8 | 86,0 | | | | |
| 11 | 0,4 | 1,8 | 87,7 | | | | |
| 12 | 0,4 | 1,6 | 89,3 | | | | |
| 13 | 0,4 | 1,5 | 90,8 | | | | |
| 14 | 0,3 | 1,4 | 92,2 | | | | |
| 15 | 0,3 | 1,2 | 93,4 | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 16 | 0,3 | 1,1 | 94,5 | | | | |
| 17 | 0,2 | 0,9 | 95,4 | | | | |
| 18 | 0,2 | 0,9 | 96,3 | | | | |
| 19 | 0,2 | 0,8 | 97,1 | | | | |
| 20 | 0,2 | 0,7 | 97,8 | | | | |
| 21 | 0,2 | 0,6 | 98,4 | | | | |
| 22 | 0,1 | 0,6 | 99,0 | | | | |
| 23 | 0,1 | 0,5 | 99,6 | | | | |
| 24 | 0,1 | 0,4 | 100,0 | | | | |

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

As Table 16 below shows, the three factor model has been accepted after eliminating three items – ROSM 11, ROSM 14 and ROSM 24 due to low communalities and factor loadings. Based on the pattern and structure matrices, all three factors show a number of strong loadings with variables loading substantially on one factor only. Again, we used a ,5 cutoff as suggested by Hair (2010). The number of factors identified is in line with previous research on relationship orientation and related types of strategic orientation (see for example Kohli et al., 1993; Ramani and Kumar, 2008; Sin et al., 2002).

**Table 16: Communalities, pattern and structure coefficients of ROSM**

| Item | Label | Communalities | Pattern coefficients | | | Structure coefficients | | |
|---|---|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 1 | 2 | 3 |
| We use social media to determine what is relevant for our customers and their communities | ROSM_1 | 0,6 | **0,5** | 0,0 | -0,3 | **0,7** | 0,3 | -0,6 |
| We use analytical tools and statistics to track changes in our social media communities | ROSM_2 | 0,6 | **0,5** | 0,0 | -0,3 | **0,7** | 0,3 | -0,6 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Marketing personnel spend time discussing customers' future needs identified via social media with other departments (e.g. R&D, production, sales...). | ROSM_4 | 0,7 | **0,6** | 0,1 | -0,2 | **0,8** | 0,4 | -0,6 |
| Data collected using social media social media are systematically disseminated at all levels of the company | ROSM_5 | 0,7 | **1,0** | 0,0 | 0,2 | **0,8** | 0,3 | -0,3 |
| The activities of different departments in social media are well coordinated | ROSM_6 | 0,6 | **0,7** | -0,1 | -0,1 | **0,8** | 0,3 | -0,5 |
| We encourage our employees to actively participate in our social media social media platforms | ROSM_7 | 0,6 | **0,8** | 0,0 | 0,0 | **0,8** | 0,3 | -0,4 |
| We track and use for our decisions customer feedback on products/services expressed via social media | ROSM_8 | 0,6 | **0,7** | 0,0 | -0,2 | **0,8** | 0,3 | -0,6 |
| When our customers want us to modify a product or service, we announce it in social media | ROSM_9 | 0,5 | **0,5** | 0,0 | -0,3 | **0,7** | 0,3 | -0,6 |
| We use social media to develop/design new products/services in collaboration with our customers | ROSM_10 | 0,6 | **0,8** | 0,0 | 0,0 | **0,8** | 0,3 | -0,4 |
| We use findings from social media social media platforms to make adjustments in our strategies | ROSM_12 | *0,5* | **0,6** | 0,2 | 0,0 | **0,7** | 0,4 | -0,4 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *We will go the extra mile to provide information for our customers, even if it's not directly connected to our products or services* | ROSM_20 | 0,6 | *0,4* | 0,3 | -0,4 | **0,7** | 0,5 | -0,7 |
| We make sure the content we publish in social media social medias trustworthy. | ROSM_13 | 0,7 | 0,0 | **0,7** | -0,2 | 0,4 | **0,8** | -0,5 |
| We never make promises in social media we are not able to keep | ROSM_15 | 0,8 | 0,1 | **0,9** | 0,1 | 0,3 | **0,9** | -0,3 |
| We never publish information via social media that do not come from a reliable source | ROSM_16 | 0,8 | 0,0 | **0,9** | 0,1 | 0,3 | **0,9** | -0,3 |
| We aim at publishing content that is relevant to our customers via social media | ROSM_17 | 0,7 | 0,0 | **0,6** | -0,4 | 0,4 | **0,8** | -0,7 |
| We openly discuss problems that arise in social media social media conversations with our customers | ROSM_23 | 0,6 | 0,3 | **0,5** | -0,2 | 0,6 | **0,7** | -0,6 |
| We systematically track and respond to customer complaints in social media | ROSM_3 | 0,7 | 0,2 | 0,1 | -0,7 | 0,6 | 0,5 | -0,8 |
| We integrate communication across various social media social media platforms. | ROSM_18 | 0,5 | 0,1 | -0,1 | **-0,6** | 0,5 | 0,3 | **-0,7** |
| We facilitate customer-to-customer conversations in social media. | ROSM_19 | 0,7 | 0,3 | 0,0 | **-0,6** | 0,7 | 0,4 | **-0,8** |
| Our presence in social media social medias continuous. | ROSM_21 | 0,8 | 0,0 | 0,2 | **-0,8** | 0,5 | 0,5 | **-0,9** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| We do our best to resolve conflicts that may arise in social media before they create bigger problems | ROSM_22 | 0,7 | | 0,2 | 0,3 | **-0,5** | 0,6 | 0,6 | **-0,8** |
| We publicly reward our customers' suggestions and contributions in social media | ROSM_25 | 0,6 | | -0,1 | -0,1 | **-0,9** | 0,4 | 0,3 | **-0,8** |
| We enable our customers' comment on our content in social media | ROSM_26 | 0,7 | | 0,0 | 0,2 | **-0,8** | 0,5 | 0,5 | **-0,8** |
| We actively and transparently participate in our customers' online communities | ROSM_27 | 0,6 | | 0,1 | 0,0 | **-0,7** | 0,5 | 0,3 | **-0,8** |

Note: highest values are presented in bold. Lowest are presented in bold italic.

Based on exploratory factor analysis, we identified three factors, namely: (1) Knowledge generation, dissemination and management; (2) Trust and bonding; (3) Interaction facilitation and management, confirming our view that ROSM is a multidimensional construct.

Before making a final decision whether to discard the items with low loadings, we conducted reliability analysis for each of the identified factors to evaluate the degree of homogeinity (i.e. the degree to which there is internal consistency in measuring each factor). The scale reliability (Chronbach Alphas) and item-to-total correlations are reported in Table 17. In terms of scale reliability, all identified factors exceed the established threshold of ,7 (Nunnally, 1978). Additionally, item-to-total correlations are high and exceed the ,4 threshold, confirming a high degree of homogeinity for each of the identified factors.

Because the identified factors have such high degrees of homogeinity, we will not dismiss the items with lower loadings from further analysis.

**Table 17: Reliability analysis after EFA**

| Factor/item | | Chronbach Alpha | Item-to-total correlation |
|---|---|---|---|
| **KNOWLEDGE (Factor 1)** | | ,925 | |
| We use social media to determine what is relevant for our customers and their communities | ROSM_1 | | ,707 |
| We use analytical tools and statistics to track changes in our social media communities | ROSM_2 | | ,705 |
| Marketing personnel spend time discussing customers' future needs identified via social media with other departments (e.g. R&D, production, sales...). | ROSM_4 | | ,764 |
| Data collected using social media social media are systematically disseminated at all levels of the company | ROSM_5 | | ,700 |
| The activities of different departments in social media are well coordinated | ROSM_6 | | ,698 |
| We encourage our employees to actively participate in our social media social media platforms | ROSM_7 | | ,655 |
| We track and use for our decisions customer feedback on products/services expressed via social media | ROSM_8 | | ,761 |
| When our customers want us to modify a product or service, we announce it in social media | ROSM_9 | | ,674 |
| We use social media social mediator develop/design new products/services in collaboration with our customers | ROSM_10 | | ,705 |
| We use findings from social media social media platforms to make adjustments in our strategies | ROSM_12 | | ,625 |
| We will go the extra mile to provide information for our customers, even if it's not directly connected to our products or services | ROSM_20 | | ,672 |
| **TRUST AND BONDING (Factor 2)** | | ,890 | |
| We make sure the content we publish in social media is trustworthy. | ROSM_13 | | ,750 |
| We never make promises in social media we are not able to keep | ROSM_15 | | ,788 |
| We never publish information via social media that do not come from a reliable source | ROSM_16 | | ,727 |
| We aim at publishing content that is relevant to our customers via social media | ROSM_17 | | ,738 |
| We openly discuss problems that arise in social media conversations with our customers | ROSM_23 | | ,659 |
| **INTERACTION (Factor 3)** | | ,925 | |
| We systematically track and respond to customer | ROSM_3 | | ,782 |

| | | | |
|---|---|---|---|
| complaints in  social media | | | |
| We integrate communication across various social media platforms. | ROSM_18 | | ,630 |
| We facilitate customer-to-customer conversations in social media. | ROSM_19 | | ,796 |
| Our presence in social media social medias continuous. | ROSM_21 | | ,842 |
| We do our best to resolve conflicts that may arise in social media before they create bigger problems | ROSM_22 | | ,732 |
| We publicly reward our customers' suggestions and contributions in social media | ROSM_25 | | ,679 |
| We enable our customers' comment on our content in social media | ROSM_26 | | ,783 |
| We actively and transparently participate in our customers' online communities | ROSM_27 | | ,726 |

### 6.4.3. Confirmatory assessment

For a final test of internal structure validity, we conducted confirmatory factor analysis using AMOS 22 to test the measurement model. We analyzed the data following the maximum-likelihood (ML) procedure. To test our theory in more detail, we developed three rival measurement models and examined the model fit using several criteria (see Table 16), including the chi-square goodness-of-fit statistic, comparative fit index (CFI), the Tucker-Lewis index (TLI), the Root Mean Square Error of Approximation (RMSEA) and the related p value for close fit and finally, standardized root mean square residual (SRMR). An overview of the model fit indicators is presented in Table 18. Based on the results, the second solution – MOD2 – served as the basis for a more detailed analysis of model fit and item elimination.

**Table 18: Overview of measurement models' fit indices**

| Model | Description | $X^2$ | df | CFI | TLI | RMSEA | Pclose | SRMR |
|-------|-------------|-------|-----|-----|-----|-------|--------|------|
| MOD1 | One general ROSM factor | 795,161 | 252 | ,725 | ,699 | ,141 | ,000 | ,0938 |
| MOD2 | 3 correlated ROSM component factors | 566,609 | 249 | ,839 | ,822 | ,109 | ,000 | ,0817 |
| MOD3 | Hierarchical 2-nd order factor model | 566,609 | 249 | ,839 | ,822 | ,109 | ,000 | ,0817 |

As noted earlier, a variety of indices of model fit was evaluated. Additionally, following the line of reasoning and the procedure of Kohli et al. (1993) we evaluated the items based on the items' error variance estimate, the extent to which each item gave rise to significant residual covariation and items' cross-loading on more than one factor. The main objective of such efforts was to ensure a satisfactory representation of each of the three ROSM components identified through exploratory factor analysis. As a result, we eliminated 6 items – ROSM3, ROSM5, ROSM9, ROSM12, ROSM20 and ROSM23 (see Table 17 for a detailed list of items), which left us with 18 items – seven for knowledge creation and management, seven for interaction facilitation and management, and four for trust and bonding. It is also important to note that, looking back at EFA and reliability analysis, these items had the lowest communalities, loadings and/or item-to-total correlations, which served as an additional confirmation for the items' dismissal.

The overall chi square test of model fit was statistically non-significant ($X2$ (127) = 141,378, p < 0.181). The Root Mean Square Error of Approximation (RMSEA) was 0,032. The p value for the test of close fit was 0,844. The Comparative Fit (CFI) index was 0.984. Tucker-Lewis index (TLI) was 0,987. The standardized root mean square residual (SRMR) was 0.05. The indices uniformly point towards good model fit. At this point, an inspection of the residuals and modification indices revealed no theoretically meaningful and significant points of ill-fit in the model.

Table 19 presents the standardized parameter estimates for the measurement model. The residuals for each of the observed measures were generally low, suggesting that the measures represent reasonable indicators of the constructs in question.

**Table 19: Results of CFA**

| Item | Direction | Construct | Standardized Estimate | Unstandardized Estimate | S.E. | P |
|------|-----------|-----------|-----------------------|-------------------------|------|---|
| ROSM_25 | <--- | INTERACT | ,655 | 1,000 | | |
| ROSM_26 | <--- | INTERACT | ,816 | 1,361 | ,185 | *** |
| ROSM_27 | <--- | INTERACT | ,701 | 1,085 | ,134 | *** |
| ROSM_19 | <--- | INTERACT | ,800 | 1,254 | ,173 | *** |
| ROSM_18 | <--- | INTERACT | ,654 | 1,040 | ,170 | *** |
| ROSM_21 | <--- | INTERACT | ,891 | 1,464 | ,186 | *** |
| ROSM_22 | <--- | INTERACT | ,817 | 1,313 | ,178 | *** |
| ROSM_15 | <--- | TB | ,721 | 1,000 | | |
| ROSM_13 | <--- | TB | ,829 | 1,173 | ,146 | *** |
| ROSM_16 | <--- | TB | ,639 | ,884 | ,088 | *** |
| ROSM_17 | <--- | TB | ,874 | 1,243 | ,150 | *** |
| ROSM_10 | <--- | KNOW | ,668 | 1,000 | | |
| ROSM_8 | <--- | KNOW | ,825 | -8,855 | 1,179 | *** |
| ROSM_7 | <--- | KNOW | ,670 | -7,600 | 1,211 | *** |
| ROSM_6 | <--- | KNOW | ,707 | -7,584 | 1,153 | *** |
| ROSM_4 | <--- | KNOW | ,855 | -9,345 | 1,210 | *** |
| ROSM_1 | <--- | KNOW | ,767 | -8,271 | 1,172 | *** |
| ROSM_2 | <--- | KNOW | ,766 | -8,928 | 1,267 | *** |

Finally, we conducted reliability analysis of the final measurement model that we present in Table 20. Again, the Chronbach Alphas are well above the .7 threshold, with high item-to-total correlations indicating high homogeneity.

**Table 20: Reliability analysis after CFA**

| Factor/item | | Chronbach Alpha | Item-to-total correlation |
|---|---|---|---|
| **KNOWLEDGE (Factor 1)** | | ,892 | |
| We use social media to determine what is relevant for our customers and their communities | ROSM_1 | | ,706 |
| We use analytical tools and statistics to track changes in our social media communities | ROSM_2 | | ,701 |
| Marketing personnel spend time discussing customers' future needs identified via social media with other departments (e.g. R&D, production, sales...). | ROSM_4 | | ,768 |
| The activities of different departments in social media are well coordinated | ROSM_6 | | ,680 |
| We encourage our employees to actively participate in our social media platforms | ROSM_7 | | ,625 |
| We track and use for our decisions customer feedback on products/services expressed via social media | ROSM_8 | | ,721 |
| We use social media to develop/design new products/services in collaboration with our customers | ROSM_10 | | ,636 |
| **TRUST AND BONDING (Factor 2)** | | ,883 | |
| We make sure the content we publish in social media is trustworthy. | ROSM_13 | | ,760 |
| We never make promises in social media we are not able to keep | ROSM_15 | | ,800 |
| We never publish information via social media that do not come from a reliable source | ROSM_16 | | ,732 |
| We aim at publishing content that is relevant to our customers via social media | ROSM_17 | | ,691 |
| **INTERACTION (Factor 3)** | | ,913 | |
| We integrate communication across various social media platforms. | ROSM_18 | | ,648 |
| We facilitate customer-to-customer conversations in social media. | ROSM_19 | | ,799 |
| Our presence in social media is continuous. | ROSM_21 | | ,828 |
| We do our best to resolve conflicts that may arise in social media before they create bigger problems | ROSM_22 | | ,720 |
| We publicly reward our customers' suggestions and contributions in social media | ROSM_25 | | ,656 |
| We enable our customers' comment on our content in social media | ROSM_26 | | ,769 |
| We actively and transparently participate in our customers' online communities | ROSM_27 | | ,722 |

In summary, Table 21 represents an overview of items refinement following exploratory and confirmatory assessment.

**Table 21: Item refinement summary**

| # | Purified items | Label | Dismissed after EFA | Dismissed after CFA |
|---|---|---|---|---|
| 1 | We systematically track and respond to customer complaints in social media | ROSM_3 | | x |
| 2 | We integrate communication across various social media platforms. | ROSM_18 | | |
| 3 | We facilitate customer-to-customer conversations in social media. | ROSM_19 | | |
| 4 | We will go the extra mile to provide information for our customers, even if it's not directly connected to our products or services | ROSM_20 | | x |
| 5 | Our presence in social media is continuous. | ROSM_21 | | |
| 6 | We do our best to resolve conflicts that may arise in social media before they create bigger problems | ROSM_22 | | |
| 7 | We publicly reward our customers' suggestions and contributions in social media | ROSM_25 | | |
| 8 | We enable our customers' comment on our content in social media | ROSM_26 | | |
| 9 | We actively and transparently participate in our customers' online communities | ROSM_27 | | |
| 10 | We make sure the content we publish in | ROSM_13 | | |

| | | | | |
|---|---|---|---|---|
| | social media is trustworthy. | | | |
| 11 | We have strict policies and guidelines with respect to social media in place to protect the privacy of our customers. | ROSM_14 | x | |
| 12 | We never make promises in social media we are not able to keep | ROSM_15 | | |
| 13 | We never publish information via social media that do not come from a reliable source | ROSM_16 | | |
| 14 | We aim at publishing content that is relevant to our customers via social media | ROSM_17 | | |
| 15 | We openly discuss problems that arise in social media conversations with our customers | ROSM_23 | | x |
| 16 | Data collected using social media are systematically disseminated at all levels of the company | ROSM_5 | | x |
| 17 | The activities of different departments in social media are well coordinated | ROSM_6 | | |
| 18 | We encourage our employees to actively participate in our social media platforms | ROSM_7 | | |
| 19 | We use social media to determine what is relevant for our customers and their communities | ROSM_1 | | |
| 20 | We use analytical tools and statistics to track changes in our social media communities | ROSM_2 | | |
| 21 | When our customers want us to modify | ROSM_9 | | x |

| | | | | |
|---|---|---|---|---|
| | a product or service, we announce it in social media | | | |
| 22 | Marketing personnel spend time discussing customers' future needs identified via social media with other departments (e.g. R&D, production, sales...). | ROSM_4 | | |
| 23 | We track and use for our decisions customer feedback on products/services expressed via social media | ROSM_8 | | |
| 24 | We use social media to develop/design new products/services in collaboration with our customers | ROSM_10 | | |
| 25 | We use findings from social media platforms to make adjustments in our strategies | ROSM_12 | | x |
| 26 | We systematically collect and manage data about individual customers via social media. | ROSM_24 | x | |
| 27 | We are slow in responding to customers' comments about our products/services in social media | ROSM_11 | x | |

### 6.4.4. Measurement validation

A final test of the scale's psychometric properties regarding its link to other constructs (Christensen et al., 2011). For that purpose, and following the suggestions of Churchill (1979) we examine the construct's convergent, discriminant and nomological validity.

Convergent validity represents "the extent to which constructs correlate highly with other methods designed to measure the same construct" (Churchill, 1979, p. 70). In our case, it is about the correlations between the three constructs underlying ROSM. The estimated correlation between the latent variables were as follows:,760 (Interaction-Trust&bonding), ,834 (Knowledge-Interaction) and ,600 (Knowledge-Trust&bonding). All of these correlations were statistically significant (p < .05). As we can see, a strong correlation among the three components of ROSM indicates that they are converging on a common construct, thereby providing evidence of convergent validity.

According to Churchill (1979), discriminant validity refers to the "extent to which the measure is indeed novel and not simply a reflection of some other variable" (p. 70). We used the procedure of Fornell and Larcker (1981a, 1981b) by calculating the square root of AVE (average variance extracted) for each latent variable and comparing it to the correlations with other latent variables (see Table 22). As shown in the table, there is clear evidence of discriminant validity between Trust & bonding and Interaction facilitation and management (the square root of AVE is larger than the correlations with other latent constructs). However, we have partial confirmation of discriminant validity for Knowledge generation, dissemination and management and Interaction facilitation and management. A potential explanation for this discrepancy could be due to the fact that knowledge in social media is derived from B2C and C2C interactions in social media.

**Table 22: Discriminant validity**

| Construct | Know | Trust & bond | Interaction |
|---|---|---|---|
| Know | **,560** | | |
| Trust & Bond | ,445 | **,660** | |
| Interaction | ,730 | ,581 | **,600** |

Note: diagonal elements represent the square root of AVE

Additionally, to assess discriminant validity, we included in the questionnaire a scale for measuring market orientation (Kohli et al., 1993). As mentioned in chapter 4 of the thesis, these two scales have certain common ground, as both are process-based, behavioral and focus on customers. Furthermore, this analysis was conducted to shed more light on the recent conceptualizations and operationalization of social CRM that relates heavily to market orientation scale (see Srinivasan and Moorman, 2005; Trainor et al., 2013). To affirm that the three identified components are measuring ROSM rather than a different construct, we analyzed correlations between ROSM, MO and their underlying constructs.

**Table 23: Correlation analysis for Discriminant validity analysis**

| | MO_IG | MO_ID | MO_RD | MO_RI | MO | ROSM KNOW | ROSM TB | ROSM INTERACT | ROSM |
|---|---|---|---|---|---|---|---|---|---|
| MO_IG | 1 | | | | | | | | |
| MO_ID | ,745** | 1 | | | | | | | |
| MO_RD | ,656** | ,695** | 1 | | | | | | |
| MO_RI | ,640** | ,662** | ,681** | 1 | | | | | |
| MARKOR | ,898** | ,897** | ,847** | ,838** | 1 | | | | |
| ROSM KNOW | -,416** | -,544** | -,348** | -,369** | -,487** | 1 | | | |
| ROSM_TB | -,473** | -,437** | -,337** | -,382** | -,476** | ,445** | 1 | | |
| ROSM INTERACT | -,350** | -,433** | -,297** | -,293** | -,399** | ,730** | ,581** | 1 | |
| ROSM | -,462** | -,547** | -,374** | -,392** | -,516** | ,884** | ,717** | ,933** | 1 |

The results of correlation analysis in Table 23 demonstrate that the correlation between market orientation and ROSM components is lower than the correlations between the other market orientation components. These results provide support for the discriminant validity of the three-component ROSM construct with respect to the market orientation construct.

Finally, to examine nomological validity of the ROSM construct, we examine the degree to which ROSM is able to predict a set of indicators which, from a theoretical and

empirical standpoint, is supposed to predict (Bergkvist and Rossiter, 2007). We used the research of Kumar et al. (2013) and Ramani and Kumar (2008) and identify two dependant variables: customer satisfaction as a customer-based performance outcome and sales as a business-based performance outcome. The results indicated a good model fit - the overall chi square test of model fit was X2 (127) = 141,37. The Root Mean Square Error of Approximation (RMSEA) was 0,061. The p value for the test of close fit was 0,168. The Comparative Fit (CFI) index was 0.955. Tucker-Lewis index (TLI) was 0,946.  The standardized root mean square residual (SRMR) was 0.05. The standardized coefficients of the hypothesized paths were statistically significant, thus confirming nomological validity.

## 7. DISCUSSION

The primary focus and main contribution of this study is in determining *how can we define ROSM (RQ1a);* and *how can we measure ROSM (RQ1b)?* In order to answer these questions, a mixed-method approach was adopted. Research was conducted in three stages that aimed at developing insights used to define ROSM and develop a measurement of the construct. A derived objective of this study was to examine potential outcomes of ROSM and factors that may influence the ROSM-outcome link. Such insights were developed based on an extensive literature review and field interviews with experts and academics.

In this chapter, we discuss the findings of our study in the context of contributions from relationship marketing, social media and strategic orientation literature. First, we discuss the findings related to the definition of ROSM and determine the construct's domain (RQ1a). Next, we address the identified dimensions and measurement by discussing each dimension in detail, reflecting on existing theoretical and empirical contributions (R1b). Finally, we examine the link between ROSM and company performance and the potential influence of company characteristics and environmental factors.

## 7.1. Determining the key features of ROSM

### 7.1.1. How can we define ROSM?

Specifying the domain of ROSM and developing an adequate definition was based on two approaches. The literature-based approach is based on examining the contributions from relationship marketing, social media, and strategic orientation literature. The empirically-based approach is based on findings from field interviews. The result of an integration of the two research paths is the conceptualization of ROSM establishing its domain and presenting its definition.

The literature reveals a number of different perspectives of relationship orientation which has been conceptualized from a cultural, behavioral, individual and organizational perspective. The diverse perspectives, given the complex nature of relationships, resulted in varying definitions of the construct in the literature. For example, from an individual perspective, relationship orientation has been defined as "a party's desire to engage in a strong relationship with a current or potential partner to conduct a specific exchange" (Palmatier et al., 2008, p. 175). On the other hand, from a company perspective, it has been argued that customer relationship orientation "…establishes a "collective mind" or a belief system for the organization that considers customer relationship as an asset and drives the choice of means to accomplish this outcome" (Jayachandran et al., 2005, p. 179).

Even though the definitions differ, we can identify several core themes that they seem to have in common. More specifically, most of the definitions are characterized by: (1) focus on the customer/partner rather than a wider set of stakeholders; (2) cultural embeddedness; (3) focus on benefits/ positive outcomes. Surprisingly, there is little concern in the literature for specific dimensions of relationship orientation or process emphasis, even though the process nature of relationships has been emphasized by

several authors (see for example Gronroos, 2004). Moreover, confusion regarding the construct's definition and domain was caused by some authors who argued the key difference between the concepts of interaction orientation and relationship orientation is the level of abstraction (i.e. general definition vs. precise definition and operationalization) (Ramani and Kumar, 2008). We argue, also following Grönroos (2004; 2011), that relationship orientation as a concept spans above and beyond mere interactions that may form an integral part of relationship orientation in social media. Additionally, most of the definitions are culture-based and reflect a set of beliefs, rather than actual behaviors that we consider as more objective (see chapter 4 for a detailed discussion).

Finally, past research did not address the specificities of relationship orientation in social media, which is the core of our study. As we noted in the literature review, there is some research that addresses the role of specific defining constructs of relationship marketing (e.g. trust in the online environment), but no reference to various dimensions of relationship orientation in social media.

Given the diverse perspectives, field interviews were conducted to specify the domain and dimensions of the ROSM construct, with special reference to the social media context. Based on the field interviews, a working definition of ROSM was developed:

*"Relationship Orientation in Social Media (ROSM) refers to all activities and behaviors of an organization in social media aimed at developing, maintaining and enhancing relationships with current and potential customers"*

Additionally, through the interviews and the survey, we have identified three main dimensions of ROSM, namely (1) Knowledge generation, dissemination and management; (2) Trust and bonding and (3) Interaction facilitation and management.

The knowledge generation, dissemination and management refers to the continuous and systematic activities of gathering information on current and potential customers, their needs and behaviors expressed in social media, the dissemination of such information and knowledge both horizontally and vertically within the organization, and its use to benefit both the company and the consumer. The importance of organizational information acquisition, knowledge generation and organizational learning has been emphasized in strategic orientation literature (Kohli and Jaworski, 1990; Kohli et al., 1993; Slater and Narver, 1995), relationship marketing literature (Jayachandran et al., 2005; Petrison and Wang, 1993) and research on social media (Leonardi et al., 2013).

The prevalent view in the social media literature is that generating intelligence and knowledge is a necessary condition for the development of relationships in social media and such activities include for example analytics, social media listening and monitoring (Li and Bernoff, 2011), netnography (Kozinets, 2006; Kozinets et al., 2010; Seraj, 2012), social CRM (Ang, 2011b; Woodcock et al., 2011)  and ultimately, the development of a social media enterprise (Leonardi et al., 2013).

In the relationship marketing and strategic orientation literature, the conceptualization of intelligence generation, knowledge generation and learning has varied depending on the adopted perspective. For example, while Kohli and Jaworski (1990) considered market intelligence as an integral part of market orientation, Slater and Narver (1995) considered organizational learning as a variable mediating the market orientation-performance link. Similarly, Jayachandran et al. (2005) considered relational information processes as an outcome, rather than an integral part or even antecedent to customer relationship orientation. The underlying reasoning can be explained by considering the perspective the authors adopt when conceptualizing market orientation or customer relationship orientation. More specifically, in case of a cultural perspective of market orientation or customer relationship orientation, where a certain strategic orientation represents a set of values and beliefs, it is natural to model organizational learning or relational information processes as an outcome. However, if a behavioral perspective is

adopted, as was the case with Jaworski and Kohli's market orientation conceptualization, then intelligence generation and dissemination becomes an integral part of the construct. Given that we adopt a process-based, behavioral perspective of ROSM, our conclusion that knowledge generation, dissemination and management should be included, is consistent with the literature.

Trust and bonding in social media refers to the activities of publishing content that is trustworthy, reliable and relevant for the customers and their communities. This finding is in line with the contributions in the relationship marketing literature that identify trust as one of the key defining constructs of relationships (e.g. Moorman et al., 1993; Morgan and Hunt, 1994). For example, Morgan and Hunt (1994) refer to trust and commitment as key elements that encourage marketers to work at preserving relationship investments, resist attractive short-term alternatives and view potentially high-risk actions as being prudent because of their relationship with their partners. Trust has been conceptualized as "…existing when one partner has confidence in an exchange partners' reliability and integrity" (Morgan and Hunt, 1994) which is in line with similar definition of trust by Moorman et.al. (1993): "…willingness to rely on an exchange partner in whom one has confidence". Also in the relationship orientation literature, trust has been used as one of the key components (Sin et al., 2002; Tse et al., 2004).

Trust is one of the few defining constructs of relationship marketing that has been examined in the online environment. While online trust had initially been considered as an issue of Web-site security (Shankar et al., 2002), it has gradually evolved to a complex construct. For example, in their examination of the drivers of online trust Bart et al. (2005) identified 8 key drivers, namely privacy, security, navigation and presentation, brand strength, advice, order fulfillment, community features and absence of errors. Lastly, with the growing interest of both consumers, practitioners and academics in social media, trust in social networks emerged as one of the top research priorities in 2012-2014 for the Marketing Science Institute. In the context of our

research, trust and bonding follow the definition of Morgan and Hunt (1994) and refer to the company's reliability and integrity in social media.

Finally, Interaction facilitation and management refers to the activities aimed at facilitating and encouraging continuous B2C and C2C conversations and interactions in social media. The concepts of communication and interaction have been gaining momentum in the relationship marketing and strategic orientation literature, especially when the benefits of internet and web 2.0 are considered (Gronroos, 1994; Jayachandran et al., 2005; Ramani and Kumar, 2008). Various authors have argued the importance of communication in relationship building and maintenance. For example, Morgan and Hunt (1994) assert that communication is a necessary prerequisite of trust and commitment. Similarly, Moorman et al., (1993) conclude that sincere and timely communication, is crucial for developing trust, because "when users sense that researchers are sincere or "truth tellers" ... they extend trust because doing so lessens the vulnerability and uncertainty...". It has also been emphasized that communication in the relationship context is two-way interactive rather than one-way controlled.

Indeed, in the development of a framework of central processes of relationship marketing, Gronroos (2004) refers to interaction and planned communication as the core processes of relationship marketing. He argues that if these processes become successfully integrated, they may lead to the development of relationship dialogue and concludes that "…as the product is at the core of transaction marketing, the management of an interaction process is at the core of relationship marketing" (p.103). He also points out that a company has to take into account the various sources of communication in a relationship, among others, unplanned messages that emerge from word-of-mouth communication, news stories, internet chat groups, and especially social media. Following the line of reasoning of both Gronroos (2004) and Gummesson (1996), such interactions can and should be initiated by multiple parties within the organization. Therefore, this supports interaction facilitation and management as a dimension of ROSM, taking into account the aforementioned contributions from the relationship

marketing literature, and considering the role of social media in developing interactions and building relationships with customers and their communities.

In summary, by integrating the literature-based and empirically-based approach, we offer the following definition of ROSM:

*"Relationship Orientation in Social Media (ROSM) refers to the continuous generation, dissemination and management of knowledge, management and facilitation of interactions and trust and bonding activities of an organization in social media aimed at developing, maintaining and enhancing relationships with current and potential customers"*

As opposed to the working definition presented earlier, this definition now explicitly includes the three main facets of the ROSM as the activities that regard the knowledge generation, interaction facilitation and trust building and bonding. The key features of our view of ROSM are (1) the focus on current and potential customers and their communities in social media, (2) continuity and process-based view that incorporate generation, dissemination and management of knowledge and (3) focus on specific activities rather than attitudes and beliefs.

### 7.1.2. How can we measure ROSM?

Christensen et al (2011) point out that good measurements are fundamental for research and refer to reliability and validity as two major properties of good measurement. As noted earlier, to the best of our knowledge there is no measurement instrument that can be used to assess relationship orientation in social media (ROSM). Our research addressed this gap in the research and literature..

The findings follow from our view of ROSM as a multidimensional, behavioral and process-based construct. The result of our attempt to develop a measurement tool to

assess the ROSM is a measurement scale that embraces three dimensions of ROSM: (1) knowledge generation, dissemination and management, (2) trust and bonding and (3) interaction facilitation and management. Knowledge generation, dissemination and management can be measured with 7 items, interaction facilitation and management with 7 items and trust and bonding with 4 items, with each item evaluated on a 1-7 point Likert scale. The scale is presented in Table 24.

**Table 24: ROSM measurement tool**

| KNOWLEDGE (Factor 1) | |
|---|---|
| We use social media to determine what is relevant for our customers and their communities | ROSM_1 |
| We use analytical tools and statistics to track changes in our social media communities | ROSM_2 |
| Marketing personnel spend time discussing customers' future needs identified via social media with other departments (e.g. R&D, production, sales...). | ROSM_4 |
| The activities of different departments in social media are well coordinated | ROSM_6 |
| We encourage our employees to actively participate in our social media platforms | ROSM_7 |
| We track and use for our decisions customer feedback  on products/services expressed via  social media | ROSM_8 |
| We use social media to develop/design new products/services in collaboration with our customers | ROSM_10 |
| **TRUST AND BONDING (Factor 2)** | |
| We make sure the content we publish in social media is trustworthy. | ROSM_13 |
| We never make promises in social media we are not able to keep | ROSM_15 |
| We never publish information via social media that do not come from a reliable source | ROSM_16 |
| We aim at publishing content that is relevant to our customers via social media | ROSM_17 |
| **INTERACTION (Factor 3)** | |
| We integrate communication across various social media platforms. | ROSM_18 |
| We facilitate customer-to-customer conversations in social media | ROSM_19 |
| Our presence in social media is continuous. | ROSM_21 |
| We do our best to resolve conflicts that may arise in social media before they create bigger problems | ROSM_22 |
| We publicly reward our customers' suggestions and contributions in social media | ROSM_25 |
| We enable our customers' comment on our content in social media | ROSM_26 |
| We actively and transparently participate in our customers' online communities | ROSM_27 |

By allowing ROSM to be measured on a 1-7 point scale, it can be used to determine the *degree* of a company's relationship orientation in social media, rather than making it an either/or assessment. Since each of the three dimensions of ROSM is measured on a 1-7 point Likert scale, the scores for each of the dimensions can be compounded, calculating an overall ROSM score and thus determining the degree of ROSM. The scores can range from a minimum of 18 if a company scores lowest on each item across all dimensions (KNOW=7, TRUST&BONDING=4, INTERACT=7) to a maximum of 126 if a company scores highest on each items across all dimensions (KNOW=49, TRUST&BONDING=28, INTERACT=49).

We also assessed the psychometric properties of the scale, more specifically its validity and reliability. As noted by several experts, validity refers to the "accuracy of inferences, interpretations and actions made on the basis of test scores" (Christensen et al., 2011, p. 145). However, Messick (1995) pointed out that the traditional categorization should be replaced with „a unified concept of validity" that essentially pertains to construct validity. In that context, construct validity can be examined based on several types of evidence, namely: evidence based on content (e.g. face validity established through expert interviews), evidence based on internal structure (e.g. factor analysis, homogeneity, item-to-total correlation and coefficient alpha) and evidence based on relations to other variables (e.g. tests for nomological, concurrent, convergent and discriminant validity) (see Kline, 2005).

In our research, face validity was examined using the Delphi method, while internal and external validity was examined based on survey data. Testing the validity of the proposed measurement scale we conclude that measurement's internal structure (e.g. dimensions and homogeinity) as well as convergent, discriminant and nomological validity, are solid to make the proposed scale suitable for assessing the ROSM both in practice and in future research.

### 7.2. Exploring the ROSM-performance link

#### 7.2.1. Key outcomes of ROSM

As suggested in Figure 7, the dependent variable in our model is company performance which we examine in two aspects: customer-based performance and (finance-based) business performance. Such a categorization emerged from the interviews. When asked about the key outcomes of relationship orientation, the vast majority of respondents identified lowering the costs and (as a result) making a profit.

**Figure 7: Representation of the ROSM – performance link**
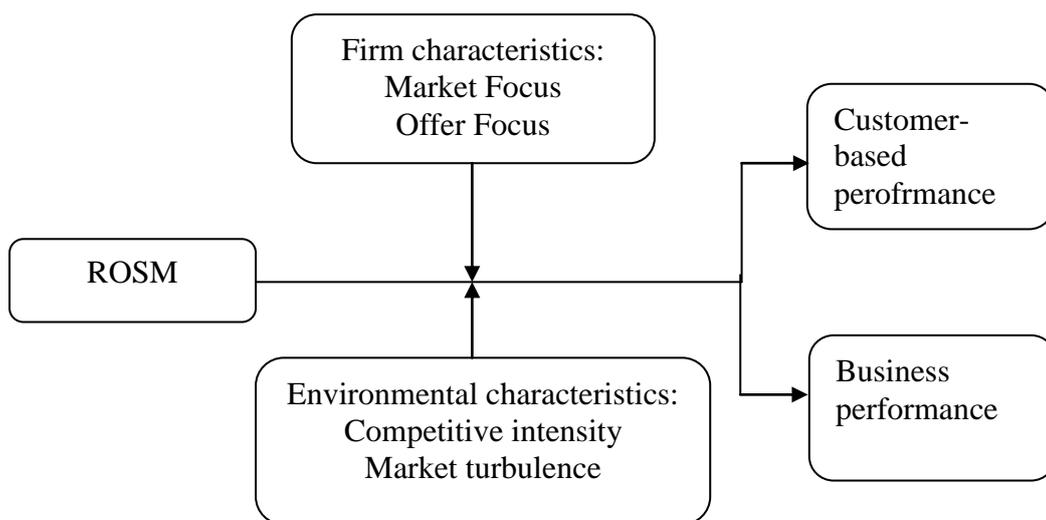


Following quote of the CEO of a finance consulting company illustrate this point:

*"...you have to realize that we are a [for profit] organization – if we invest 3, 4, 5 years in developing a relationship with someone, and the results do not follow, it is questionable whether we should try to maintain such a relationship"*

In general, company performance can be defined as the results of activities of a company over a given period of time. A company's business (financial) performance is defined as the results of a firm's policies and operations in monetary terms. These are reflected in the firm's revenue from operations, operating income or cash flow from operations, as well as total unit sales. Profitability and market performance remain widely recognized as the most important indicators of financial performance (Babakus et al., 1996; Cavusgil and Zou, 1994; Gupta and Zeithaml, 2006; Kaplan and Norton, 2001). In terms of customer-based performance measures, customer satisfaction and customer loyalty were frequently mentioned by the interviewees (Ramani and Kumar, 2008).

A marketing manager form an Italian telecom company said:

*"The competition in our industry is very intense, so for us, customer satisfaction is very important, and social media play an important role in achieving that"*

### 7.2.2. Factors influencing the ROSM-performance link

The impact of relationship orientation in social media on performance can be influenced by several factors. We divided these in 2 main categories: (1) environmental characteristics and (2) company characteristics. Environmental characteristic reflect various influences from the company's external environment, and have often been addressed in the literature (Kirca et al., 2005). These are, for example, competitive intensity, market turbulence and technological turbulence (Jaworski and Kohli, 1993; Kirca et al., 2005; Ramani and Kumar, 2008).

In our research, we found competitive intensity and market turbulence often mentioned by the participants. Competitive intensity refers to the degree of competition in a given market (Kohli and Jaworski, 1990). Market turbulence is defined as „changes in the composition of customers and their preferences" (Kohli and Jaworski, 1990). It can be argued that, the greater the competitive intensity, the greater the importance of ROSM and its impact on performance.

As a manager from an Italian bank indicated:

*"…it is not common for a company who is a monopolist in the market to be oriented on building and maintaining relationships – they simply do not need it as they are the only one in the market".*

However, as the competition increases, one might expect the increase in competitive intensity to drive companies into finding new ways of maintaining and/or increasing their market position, also through developing relationships in social media, which makes the ROSM-performance link stronger. Similarly, when a company is operating in a market that is characterized by greater market turbulence (for example, there is a lot of customers entering and exiting the market), developing relationships with new customers while attempting to keep the existing ones becomes an imperative for the business. In this context, being a capable in developing relationships via social media may have an even stronger impact on performance, when compared to not so turbulent markets.

As for the company characteristics that moderate the ROSM – performance link we have examined the role of a company's market and offer focus. Market focus can be defined as the extent to which a company focuses on end consumer markets as compared to industrial markets (Verhoef and Leeflang, 2009). Similarly, a company's offer focus can be defined as the degree to which a company's offering is focused on tangible products as compared to services (Verhoef and Leeflang, 2009). Given that relationship marketing draws its roots from B2B and services marketing, one might expect that B2B and service companies will benefit more from ROSM. However, more recent research has shifted focus towards B2C markets and product companies, showing such companies can also benefit from engaging in activities that aim towards developing and maintaining relationships. This becomes especially evident if we consider the impact of the environment, more specifically; competitive intensity that causes firms to look for new sources of sustainable competitive advantage such as developing long-term profitable

relationships. We therefore do not expect that company characteristics will have a significant impact on the ROSM-performance link.

The model outlined in Figure 7 is result from an exploratory study but we would argue that it constitutes a first attempt to conceptualize the relationship between the ROSM and company performance. It needs, of course, to be developed further.

## 8. CONCLUDING REMARKS

### 8.1. Managerial implications

Social media is so interesting and appealing to managers because it has created room for social interaction and collaboration between brands and their customers (Berthon et al., 2012; Campbell et al., 2011; Kozinets et al., 2010). Moreover, some authors have portrayed social media as highly useful to foster relationships and interact with customers (de Vries et al., 2012; Hoffman and Fodor, 2010). Similarly, Kane et al. (2009) argued that social media has a significant impact on the development of deeper relationships. Recent research shows that building and maintaining relationships is one of the top reasons for a company's social media participation (Michaelidou et al., 2011).

However, how can companies develop and maintain relationships with customers in social media, and how can they measure the results of such efforts, remains an open question. More specifically, a clear conceptualization and operationalization of relationship building in social media is needed. It certainly is difficult to determine whether a company is focused on relationship building and maintenance in social media, without specifying what such an orientation is, what it incorporates and how it can be measured. Suppose that a company manager declares that his company is highly oriented towards relationship building in social media; without a detailed specification, it is difficult to say what that company actually does. Does it post information about the company on official company social media platforms? Does it use social media as a customer service platform? Does it use social media to develop new products with customers? Does it use their social media platforms for research purposes? Also, the question what does "highly oriented" actually mean is also difficult to clarify. How can we define what is a high and what is a low relationship orientation in social media? Can it be seen as a degree or an either/or type of situation? Our study aimed to answer these practical questions.

Firstly, by determining the domain of ROSM construct and its measurement, we make the construct operational and easier to use both in research and in practice. From a practical standing point, with the definition of the ROSM construct and identification of its domain and dimensions, marketing managers can develop a more practical understanding of relationship building in social media. Firstly, the measurement reflects the key activities of companies that are relationship oriented in social media. We have clarified that relationship orientation includes the activities of knowledge generation, dissemination and management in social media, the activities that focus on generation trust and bonding with customer and the activities aimed at facilitating and managing interactions with customers in social media.

Secondly, using a measurement tool of ROSM, the managers can assess their companies' ROSM efforts and determine the degree to which the company is relationship oriented in social media. Such an assessment can help marketing managers identify the weak spots and adjust their activities accordingly. For example, a low score on one of the dimensions is a signal to the marketing manager, and can serve as the basis for adjustments in the company's activities. Additionally, if measured at the SBU level, our measurement can be used to compare each SBU's total ROSM score and scores across all three dimensions. This area of use of the scale only put further emphasis on its practical relevance.

Finally, determining the domain and measurement is a step towards a better understanding of the outcomes of ROSM, more specifically, its impact on company performance. As noted earlier, in the era of decreasing marketing budgets, there is an ever growing pressure by CEOs and CFO to determine quantify the impact and outcomes of social media  (Hoffman and Fodor, 2010; Weinberg and Pehlivan, 2011). In the past two years there has been of surge of contributions that examine the financial and non-financial outcomes of social media strategies. For example, Hoffman and Fodor (2010) argue that an effective way of measuring ROI in social media requires the company to change its approach to measuring ROI by considering the investments

*customers* make, rather than only the company. Similarly, several studies examined the impact of social media on sales and ROI (see Kumar et al., 2013), while others focused on developing more customer-focused, social media-specific metrics (see for example Peters et al., 2013).

In our study, we explore the link between ROSM and company performance by considering two facets of performance: business performance (i.e. sales, profits and market share) and customer-based performance (i.e. satisfaction and loyalty). Additionally, we consider several factors that may influence the impact of ROSM on performance, such as firm and environmental characteristics. The identification of these links and measures serves marketing managers not only as a tool for measuring the impact of ROSM, but also as a potential leverage and argumentation in favor of ROSM investments.

## 8.2. Limitations and suggestions for further research

Even though developing the ROSM construct represents a step forward in developing an understanding of relationship building and maintenance in social media, its measurement and potential links to performance, there are several issues that require our attention. We begin by focusing on the limitations and recommendations for further research regarding the ROSM measurement development and testing. Next, we address the limitations and suggestions regarding research on the ROSM-performance link.

First, the empirical evaluation and testing of the ROSM measurement was conducted on a sample of Croatian companies. Even though the results confirm the measurement has good psychometric properties, there are several reasons why additional testing should be conducted. First, due to certain constraints (e.g. low response rate), test-retest reliability was not evaluated in this study; therefore additional testing is needed to ensure the scale is stable. Second, even though the scale was examined for discriminant validity with a

related construct (market orientation), extending the analysis to include other related constructs such as interaction orientation or social CRM could help in exploring the soundness of the measure. Finally, further work on the assessment of external validity by exploring known-group validity would contribute to the evaluation of the measurement's psychometric properties

Second, the data in this study were obtained from a single respondent -marketing or non-marketing manager, in each company. It would be useful to measure ROSM based on a multi-respondent sample in order to avoid potential bias in the data, especially when gathering data from large companies (e.g. over 200 employees). Moreover, comparing the responses of marketing and non-marketing managers at different levels of the hierarchy would be highly beneficial, given that relationship orientation entails the involvement of employees outside the marketing department – the so called „part-time marketers".

Third, we used self-reported measures of ROSM. However, it would be useful to contrast the findings based on subjective and more objective measures. These could be obtained through content analysis of internal documents such as memos, company's social media strategies, social media guidelines and policies, and actual conversations and postings on the company's social media platforms.

Furthermore, a detailed exploration of the items that were eliminated in refining the scale could yield important insights regarding the ROSM domain and measurement. Some of the items that were consistent with theoretical contributions in the field (e.g. the importance of developing and communication social media guidelines to employees) were dropped based on empirical data and analysis. It may be the case that some of the dropped items need to be modified to more accurately represent one of the identified dimensions of ROSM. Additionally, the modified items may influence the number and structure of identified dimensions of ROSM For that reason, a revision, modification and

revalidation of the scale items may provide additional insights and should be considered as an interesting avenue in future research.

In addition to these issues, the applicability of the measurement to different contexts should be considered. We focused on developing relationships with customers in social media. However, there are other groups of stakeholders that might be of interest. The interactive and collaborative nature of social media might as well be used for the development and maintenance of relationships with, for example  employees (e.g. by tracking employee satisfaction, generating knowledge, facilitating interaction, encouraging information sharing throughout the company etc.) or collaborators. What activities does ROSM include in these cases? How do they differ from activities aimed at customers in social media? Additionally, there are other types of organizations that also benefit from developing relationships in social media – non-profits and NGOs for example. Can the concept and measurement of ROSM be extended and/or modified to such organizations as well?

Also, in terms of the impact ROSM has on company performance, there is a number of directions for further research. We conducted interviews to get a clearer idea of what the outcomes of ROSM might be, and what factors may foster or hinder the ROSM-performance link. Most of the outcomes identified focus on business performance (e.g. sales, profit) or customer based outcomes (e.g. satisfaction and loyalty). However, this model still has to be empirically evaluated and tested. For instance, there are a number of social media specific outcomes that have been suggested recently in the literature that need to be considered such as CIE (customer influence effect) and CIV (customer influence value) (see Kumar et al, 2013).

Further exploration of the potential hierarchical ordering of the ROSM outcomes should be undertaken. For example, this could include the empirical evaluation of the direct and indirect impact of social media-specific outcomes on customer-based performance and business performance. Furthermore, even though we identified several environmental

and internal moderators that might affect the ROSM-performance link, several other factors come to mind. For example, what is the role and impact of social media strategy types, or different relational styles on the ROSM-performance link? Are there any other environmental factors that may be influential and how? All these questions have yet to be answered in future studies.

To sum up, our main purpose was to identify the domain and key dimensions of ROSM, followed by the development of a measure of the construct. We propose ROSM as a behavioral, process-based, multidimensional construct that can be measured with a multi-item scale. Identifying the outcomes of ROSM and potential moderating factors we discuss several business and customer-based performance measures and introduced environmental and internal factors that may influence the ROSM-performance link. While this research is a step forward in understanding and measuring ROSM, there are a number of possible directions of interest, both in terms of future contributions to ROSM conceptualization and measurement, but also in empirically testing the impact ROSM has on performance.

**APPENDICES**

**Appendix 1: Variable operationalizations**

| CONSTRUCT | ITEMS | SCALE | LITERATURE SUPPORT |
|---|---|---|---|
| **MARKET ORIENTATION** | | | |
| **Intelligence Generation** | 1. In this business unit, we meet with customers at least once a year to find out what products or services they will need in the future.<br>2. Individuals from our manufacturing department interact directly with customers to learn how to serve them better.<br>3. In this business unit, we do a lot of in-house market research<br>4. We are slow to detect changes in our customers' product preferences.<br>5. We poll end users at least once a year to assess the quality of our products and services.<br>6. We often talk with or survey those who can influence our end users' purchases (e.g., retailers, distributors).<br>7. We collect industry information through informal means (e.g., lunch with industry friends, talks with trade partners).<br>8. In our business unit, intelligence on our competitors is generated independently by several departments.<br>9. We are slow to detect fundamental shifts in our industry (e.g., competition, technology, regulation).<br>10. We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers. | 1-7 Likert scale | Jaworski&Kohli (1993) |
| **Intelligence dissemination** | 1.A lot of informal "hall talk" in this business unit concerns our competitors' tactics or strategies.<br>2.We have interdepartmental meetings | | |

| | | | |
|---|---|---|---|
| | at least once a quarter to discuss market trends and developments. | | |
| | 3. Marketing personnel in our business unit spend time discussing customers' future needs with *other* functional departments. | | |
| | 4. Our business unit periodically circulates documents (e.g., reports, newsletters) that provide information on our customers. | | |
| | 5. When something important happens to a major customer or market, the whole business unit knows about it in a short period. | | |
| | 6. Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis. | | |
| | 7. There is minimal communication between marketing and manufacturing departments concerning market developments. | | |
| | 8. When one department finds out something important about competitors, it is slow to alert other departments. | | |
| **Response design** | 1. It takes us forever to decide how to respond to our competitors' price changes. | | |
| | 2.Principles of market segmentation drive new product development efforts in this business unit. | | |
| | 3. For one reason or another we tend to ignore changes in our customers' product or service needs. | | |
| | 4. We periodically review our product development efforts to ensure that they are in line with what customers want. | | |
| | 5. Our business plans are driven more by technological advances than by market research. | | |
| | 6. Several departments get together periodically to plan a response to changes taking place in our business environment. | | |

| | | | |
|---|---|---|---|
| | 7. The product lines we sell depend more on internal politics than real market needs. | | |
| **Response implementation** | 1. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.<br>2.The activities of the different departments in this business unit are well coordinated.<br>3. Customer complaints fall on deaf ears in this business unit.<br>4. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.<br>5. We are quick to respond to significant changes in our competitors' pricing structures.<br>6. When we find out that customers are unhappy with the quality of our service, we take corrective action immediately.<br>7. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so. | | |

## FIRM CHARACTERISTICS

| | | | |
|---|---|---|---|
| *Market Focus (B2B vs. B2C)* | Most of our revenues come from: B2B markets (from companies) vs. B2C markets (from individual consumers) | 1-7 bipolar scale | Verhoef and Leeflang (2009) |
| *Offer Focus (product vs. services)* | Most of our revenues come from: products that we sell vs. services that we provide. | 1-7 bipolar scale | Verhoef and Leeflang (2009) |

## ENVIRONMENT CHARACTERISTICS

| | Competition in our industry is cutthroat.<br>There are many "promotion wars" in our industry.<br>Anything that one competitor can offer, others can match readily.<br>Price competition is a hallmark of our industry.<br>One hears of a new competitive move almost every day.<br>Our competitors are relatively weak. | 1-7 Likert scale | |
|---|---|---|---|
| Competitive intensity | | | |
| Market turbulence | In this market, customers' preferences change quite a bit over time.<br>Customers in this market are very receptive to new-product ideas.<br>New customers tend to have product-related needs that are different from those of existing customers.<br>(R)<br>We cater to much the same customer base that we did in the past. | 1-7 Likert scale | Jaworski&Kohli (1993); Slater&Narver (1994); Narver et.al. (2004) |
| Technological turbulence | The technology in our markets is changing rapidly.<br>Technological changes provide big opportunities in this market.<br>It is very difficult to forecast where the technology in this market will be in the next five years.<br>A large number of new products in this market have been made possible through technological breakthroughs.<br>(R)<br>Technological developments in this market are rather minor. | 1-7 Likert scale | |

## COMPANY PERFORMANCE

| *Short/long-term profits* | Relative to competitors in the market, within the last year we achieved well above average profit growth. | 1-7 Likert scale | Jaworski & Kohli (1993); Babakus et.al. (1996); Wall et. Al. (2004); |
|---|---|---|---|

| | | | |
|---|---|---|---|
| *Short/long term sales growth* | Relative to competitors in the market, within the last year we achieved well above average sales growth. | 1-7 Likert scale | Davis et.al. (2010) |
| *Short/long-term performance* | Relative to competitors in the market, within the last year we achieved well above average [ profit / market share / sales ] growth. | 1-7 Likert scale | |
| *Customer satisfaction* | The overall satisfaction level of our customers is higher than the satisfaction levels of these customers with our competing firms. | 1-7 Likert scale | Ramani&Kumar (2008) |
| *Customer loyalty* | A larger portion of customers remain loyal to our organization as compared to its competitors. | 1-7 Likert scale | |

**Appendix 2: Delphi Round 1 summary of results**

**RELEVANCE SCORES**

| # | Item | Mean | Median | Range |
|---|------|------|--------|-------|
| 1 | We use social media to conduct market research. | 4,00 | 4 | 3-5 |
| 2 | We use social media to conduct sophisticated research aimed to better understand the behavior of our customers. | 3,43 | 3 | 3-5 |
| 3 | We use social media analytics to monitor changes in our social media communities. | 4,43 | 5 | 2-5 |
| 4 | We use social media to detect changes in our customers' product/service preferences. | 4,71 | 5 | 4-5 |
| 5 | We use social media to identify fundamental shifts in our industry (e.g., competition, trends). | 3,71 | 3 | 2-5 |
| 6 | We often participate in seminars to improve our social media skills. | 3,71 | 4 | 2-5 |
| 7 | Customer complaints can be filed and tracked using social media in our firm. | 3,71 | 3 | 2-5 |
| 8 | We have frequent interdepartmental meetings to discuss industry trends identified via social media. | 3,57 | 3 | 2-5 |
| 9 | Marketing personnel spend time discussing customers' future needs identified via social media with other departments (e.g. R&D, production, sales...). | 4,14 | 4 | 3-5 |
| 10 | Data collected using social media are disseminated at all levels on a regular basis. | 3,43 | 3 | 1-5 |
| 11 | When one department finds out something important about competitors using social media, it is quick to alert other departments. | 4,14 | 4 | 2-5 |

| 12 | The social media activities of the different departments are well coordinated. | 4,29 | 5 | 2-5 |
|----|---|---|---|---|
| 13 | We encourage our employees to actively participate in our social media platforms. | 4,14 | 5 | 1-5 |
| 14 | We often dicuss our social media strategy accross different departments. | 3,86 | 4 | 2-5 |
| 15 | We pay attention to changes in our customers' products or service needs using social media. | 4,57 | 5 | 4-5 |
| 16 | When our customers want us to modify a product or service, we announce that change using social media. | 4,43 | 4 | 4-5 |
| 17 | We use social media to get customer feedback on products/services. | 4,86 | 5 | 4-5 |
| 18 | We use social media to develop/design new products'serivces with our customers. | 4,57 | 5 | 3-5 |
| 19 | We use social media to respond to customer complaints. | 4,29 | 5 | 1-5 |
| 20 | We are slow to respond to customer comments on our products/services via social media. (R) | 4,14 | 5 | 2-5 |
| 21 | If a major competitor launched an intensive campaign targeting our customers, we would respond immediately using social media. | 4,29 | 5 | 2-5 |
| 22 | We use findings from social media platforms to make adjustments in our strategies. | 4,57 | 5 | 4-5 |
| 23 | We make sure the content we publish on our social media is trustworthy. | 4,86 | 5 | 4-5 |
| 24 | We have strict policies and guidelines with respect to social media in place to protect the privacy of our customers. | 4,86 | 5 | 4-5 |
| 25 | We never make promises in social media we are not able to keep. | 4,71 | 5 | 4-5 |

| 26 | We never publish information in social media that do not come from a reliable source. | 4,86 | 5 | 4-5 |
|----|--------------------------------------------------------------------------------------|------|---|-----|
| 27 | We aim at delivering relevant content to our customers via social media. | 4,71 | 5 | 4-5 |
| 28 | We integrate communication accross various social media platforms (e.g. Facebook, Twitter, linkedin, Instagram, blogs...) | 4,57 | 5 | 3-5 |
| 29 | We often invite our customers to share their opinions via social media. | 4,57 | 5 | 3-5 |
| 30 | We encourage customer-to-customer conversations in social media. | 3,57 | 4 | 2-5 |
| 31 | Most of our content in social media comes from other sources. | 4,14 | 4 | 2-5 |
| 32 | We are willing to go the extra mile to provide information for our customers via social media. | 4,29 | 4 | 3-5 |
| 33 | We make sure our presence in social media is continuous. | 4,14 | 4 | 2-5 |
| 34 | We publish content that is exclusively available via social media. | 3,86 | 4 | 1-5 |
| 35 | We tend to avoid conflicts in social media platforms by deleting undesireable messages/posts. | 4,86 | 5 | 4-5 |
| 36 | We try to solve conlicts that may arise in social media before they create greater problems. | 4,43 | 5 | 2-5 |
| 37 | We are free to openly discuss problems that arise in social media platforms. | 4,14 | 4 | 2-5 |

Items added based on respondent comments and suggestions:

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We upgrade our marketing database with data collected from our social media platforms

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Our CRM system identifies interactions with individual consumers via social media

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We identify opinion leaders in social media and establich a one-on-one communication with them.

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We reward the activities of our loyal customers in our social media platforms.

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**COMPREHENSION SCORES**

| # | Item | Mean | Median | Range |
|---|------|------|--------|-------|
| 1 | We use social media to conduct market research. | 3,71 | 5 | 1-5 |
| 2 | We use social media to conduct sophisticated research aimed to better understand the behavior of our customers. | 3,57 | 4 | 1-5 |
| 3 | We use social media analytics to monitor changes in our social media communities. | 4,71 | 5 | 4-5 |
| 4 | We use social media to detect changes in our customers' product/service preferences. | 4,43 | 5 | 2-5 |
| 5 | We use social media to identify fundamental shifts in our industry (e.g., competition, trends). | 4,43 | 5 | 1-5 |
| 6 | We often participate in seminars to improve our social media skills. | 4,29 | 5 | 3-5 |
| 7 | Customer complaints can be filed and tracked using social media in our firm. | 4,43 | 5 | 3-5 |
| 8 | We have frequent interdepartmental meetings to discuss industry trends identified via social media. | 3,57 | 3 | 1-5 |
| 9 | Marketing personnel spend time discussing customers' future needs identified via social media with other departments (e.g. R&D, production, sales...). | 4,29 | 5 | 1-5 |
| 10 | Data collected using social media are disseminated at all levels on a regular basis. | 3,71 | 5 | 1-5 |
| 11 | When one department finds out something important about competitors using social media, it is quick to alert other departments. | 4,29 | 5 | 3-5 |
| 12 | The social media activities of the different departments are well coordinated. | 4,14 | 5 | 1-5 |
| 13 | We encourage our employees to actively participate in our social media platforms. | 4,57 | 5 | 3-5 |
| 14 | We often dicuss our social media strategy accross different departments. | 3,43 | 3 | 1-5 |

| 15 | We pay attention to changes in our customers' products or service needs using social media. | 4,71 | 5 | 4-5 |
|----|----|----|----|----|
| 16 | When our customers want us to modify a product or service, we announce that change using social media. | 3,86 | 5 | 1-5 |
| 17 | We use social media to get customer feedback on products/services. | 4,71 | 5 | 4-5 |
| 18 | We use social media to develop/design new products'serivces with our customers. | 4,57 | 5 | 4-5 |
| 19 | We use social media to respond to customer complaints. | 4,71 | 5 | 4-5 |
| 20 | We are slow to respond to customer comments on our products/services via social media. (R) | 4,14 | 5 | 2-5 |
| 21 | If a major competitor launched an intensive campaign targeting our customers, we would respond immediately using social media. | 4,71 | 5 | 4-5 |
| 22 | We use findings from  social media platforms to make adjustments in our strategies. | 4,57 | 5 | 3-5 |
| 23 | We make sure the content we publish on our social media is trustworthy. | 4,57 | 5 | 4-5 |
| 24 | We have strict policies and guidelines with respect to social media in place to protect the privacy of our customers. | 4,86 | 5 | 4-5 |
| 25 | We never make promises in social media we are not able to keep. | 4,86 | 5 | 4-5 |
| 26 | We never publish information in social media that do not come from a reliable source. | 4,71 | 5 | 4-5 |
| 27 | We aim at delivering relevant content to our customers via social media. | 4,57 | 5 | 4-5 |
| 28 | We integrate communication accross various social media platforms (e.g. Facebook, Twitter, linkedin, Instagram, blogs...) | 4,71 | 5 | 4-5 |

| 29 | We often invite our customers to share their opinions via social media. | 4,29 | 5 | 3-5 |
|---|---|---|---|---|
| 30 | We encourage customer-to-customer conversations in social media. | 4,57 | 5 | 3-5 |
| 31 | Most of our content in social media comes from other sources. | 4,14 | 4 | 3-5 |
| 32 | We are willing to go the extra mile to provide information for our customers via social media. | 4,57 | 5 | 4-5 |
| 33 | We make sure our presence in social media is continuous. | 4,57 | 5 | 3-5 |
| 34 | We publish content that is exclusively available via social media. | 4,29 | 4 | 3-5 |
| 35 | We tend to avoid conflicts in social media platforms by deleting undesireable messages/posts. | 4,86 | 5 | 4-5 |
| 36 | We try to solve conlicts that may arise in social media before they create greater problems. | 4,43 | 5 | 2-5 |
| 37 | We are free to openly discuss problems that arise in social media platforms. | 4,43 | 5 | 2-5 |

**Appendix 3: Delphi round 2 summary of results**

**RELEVANCE SCORES**

| # | Item | Mean | Median | Range | Decision |
|---|------|------|--------|-------|----------|
| 1 | We use social media to conduct market research. | 4,14 | 4 | 3-5 | Modify |
| 2 | We use social media to conduct sophisticated research aimed to better understand the behavior of our customers. | 3,71 | 4 | 3-5 | Drop |
| 3 | We use social media analytics to monitor changes in our social media communities. | 4,43 | 5 | 2-5 | Slightly modify and keep |
| 4 | We use social media to detect changes in our customers' product/service preferences. | 4,71 | 5 | 4-5 | Keep |
| 5 | We use social media to identify fundamental shifts in our industry (e.g., competition, trends). | 3,43 | 3 | 2-5 | Drop |
| 6 | We often participate in seminars to improve our social media skills. | 3,71 | 4 | 2-5 | Drop |
| 7 | Customer complaints can be filed and tracked using social media in our firm. | 3,71 | 3 | 2-5 | Merged with #19 |
| 8 | We have frequent interdepartmental meetings to discuss industry trends identified via social media. | 3,43 | 3 | 2-5 | Drop |
| 9 | Marketing personnel spend time discussing customers' future needs identified via social media with other departments (e.g. R&D, production, sales...). | 4,43 | 4 | 3-5 | Keep |
| 10 | Data collected using social media are disseminated at all levels on a regular basis. | 3,43 | 3 | 1-5 | Keep |
| 11 | When one department finds out something important about competitors using social | 3,71 | 3 | 2-5 | Drop |

| | | | | | |
|---|---|---|---|---|---|
| | media, it is quick to alert other departments. | | | | |
| 12 | The social media activities of the different departments are well coordinated. | 4,29 | 5 | 2-5 | Keep |
| 13 | We encourage our employees to actively participate in our social media platforms. | 4,43 | 5 | 2-5 | Keep |
| 14 | We often dicuss our social media strategy accross different departments. | 3,16 | 3 | 1-5 | Drop |
| 15 | We pay attention to changes in our customers' products or service needs using social media. | 4,86 | 5 | 4-5 | Keep |
| 16 | When our customers want us to modify a product or service, we announce that change using social media. | 4,86 | 5 | 4-5 | Keep |
| 17 | We use social media to get customer feedback on products/services. | 4,86 | 5 | 4-5 | Keep |
| 18 | We use social media to develop/design new products'serivces with our customers. | 4,86 | 5 | 4-5 | Keep |
| 19 | We use social media to respond to customer complaints. | 4,29 | 5 | 1-5 | Merge with #7 |
| 20 | We are slow to respond to customer comments on our products/services via social media. (R) | 4,43 | 5 | 3-5 | Keep |
| 21 | If a major competitor launched an intensive campaign targeting our customers, we would respond immediately using social media. | 3,86 | 4 | 1-5 | Drop |
| 22 | We use findings from  social media platforms to make adjustments in our strategies. | 4,57 | 5 | 4-5 | Keep |
| 23 | We make sure the content we publish on our social media is trustworthy. | 4,86 | 5 | 4-5 | Keep |
| 24 | We have strict policies and guidelines with respect to social media in place to protect the privacy of our customers. | 4,86 | 5 | 4-5 | Keep |
| 25 | We never make promises in social media we are not able to keep. | 4,86 | 5 | 4-5 | Keep |

| | | | | | |
|---|---|---|---|---|---|
| 26 | We never publish information in social media that do not come from a reliable source. | 4,86 | 5 | 4-5 | Keep |
| 27 | We aim at delivering relevant content to our customers via social media. | 4,86 | 5 | 4-5 | Keep |
| 28 | We integrate communication accross various social media platforms (e.g. Facebook, Twitter, linkedin, Instagram, blogs...) | 4,71 | 5 | 4-5 | Keep |
| 29 | We often invite our customers to share their opinions via social media. | 4,57 | 5 | 3-5 | Merge & Keep |
| 30 | We encourage customer-to-customer conversations in social media. | 3,57 | 4 | 2-5 | |
| 31 | Most of our content in social media comes from other sources. | 3,86 | 3 | 2-5 | Drop |
| 32 | We are willing to go the extra mile to provide information for our customers via social media. | 4,71 | 4 | 3-5 | Keep |
| 33 | We make sure our presence in social media is continuous. | 4,29 | 4 | 3-5 | Keep |
| 34 | We publish content that is exclusively available via social media. | 3,16 | 3 | 1-5 | Drop |
| 35 | We tend to avoid conflicts in social media platforms by deleting undesireable messages/posts. | 3,86 | 4 | 3-5 | Drop |
| 36 | We try to solve conlicts that may arise in social media before they create greater problems. | 4,71 | 5 | 3-5 | Keep |
| 37 | We are free to openly discuss problems that arise in social media platforms. | 4,14 | 4 | 3-5 | Keep |
| 38 | We upgrade our marketing database with data collected from our social media platforms | 4,86 | 4 | 4-5 | Merge and keep |
| 39 | Our CRM system identifies interactions with individual consumers via social media | 4,71 | 4 | 3-5 | |
| 40 | We identify opinion leaders in social media and establish a one-on-one communication with them. | 3,16 | 3 | 1-5 | Drop |

| 41 | We reward the activities of our loyal customers in our social media platforms. | 4,86 | 4 | 4-5 | Keep |

**COMPREHENSION SCORES**

| # | Item | Mean | Median | Range | Decision |
|---|------|------|--------|-------|----------|
| 1 | We use social media to determine what is relevant for our customers and their communities. | 4,14 | 4 | 3-5 | Modified and keep |
| 2 | We use social media to conduct sophisticated research aimed to better understand the behavior of our customers. | 3,71 | 4 | 3-5 | Drop |
| 3 | We use social media analytics to monitor changes in our social media communities. *(We use analytical tools and statistics to track changes in our social media communities)* | 4,43 | 5 | 2-5 | Slightly modify and keep |
| 4 | We use social media to detect changes in our customers' product/service preferences. | 4,71 | 5 | 4-5 | Keep |
| 5 | We use social media to identify fundamental shifts in our industry (e.g., competition, trends). | 3,43 | 3 | 2-5 | Drop |
| 6 | We often participate in seminars to improve our social media skills. | 3,71 | 4 | 2-5 | Drop |
| 7 | Customer complaints can be filed and tracked using social media in our firm. | 3,71 | 3 | 2-5 | Merged with #19 |
| 8 | We have frequent interdepartmental meetings to discuss industry trends identified via social media. | 3,43 | 3 | 2-5 | Drop |
| 9 | Marketing personnel spend time discussing customers' future needs identified via social media with other departments (e.g. R&D, production, sales...). | 4,43 | 4 | 3-5 | Keep |
| 10 | Data collected using social media are disseminated at all levels on a regular basis. | 3,43 | 3 | 1-5 | Keep |
| 11 | When one department finds out something important about competitors using social | 3,71 | 3 | 2-5 | Drop |

| | | | | | |
|---|---|---|---|---|---|
| | media, it is quick to alert other departments. | | | | |
| 12 | The social media activities of the different departments are well coordinated. | 4,29 | 5 | 2-5 | Keep |
| 13 | We encourage our employees to actively participate in our social media platforms. | 4,43 | 5 | 2-5 | Keep |
| 14 | We often dicuss our social media strategy accross different departments. | 3,16 | 3 | 1-5 | Drop |
| 15 | We pay attention to changes in our customers' products or service needs using social media. | 4,86 | 5 | 4-5 | Keep |
| 16 | When our customers want us to modify a product or service, we announce that change using social media. | 4,86 | 5 | 4-5 | Keep |
| 17 | We use social media to get customer feedback on products/services. | 4,86 | 5 | 4-5 | Keep |
| 18 | We use social media to develop/design new products'serivces with our customers. | 4,86 | 5 | 4-5 | Keep |
| 19 | We use social media to respond to customer complaints. | 4,29 | 5 | 1-5 | Merge with #7 |
| 20 | We are slow to respond to customer comments on our products/services via social media. (R) | 4,43 | 5 | 3-5 | Keep |
| 21 | If a major competitor launched an intensive campaign targeting our customers, we would respond immediately using social media. | 3,86 | 4 | 1-5 | Drop |
| 22 | We use findings from  social media platforms to make adjustments in our strategies. | 4,57 | 5 | 4-5 | Keep |
| 23 | We make sure the content we publish on our social media is trustworthy. | 4,86 | 5 | 4-5 | Keep |
| 24 | We have strict policies and guidelines with respect to social media in place to protect the privacy of our customers. | 4,86 | 5 | 4-5 | Keep |
| 25 | We never make promises in social media we are not able to keep. | 4,86 | 5 | 4-5 | Keep |

| 26 | We never publish information in social media that do not come from a reliable source. | 4,86 | 5 | 4-5 | Keep |
|----|---|---|---|---|---|
| 27 | We aim at delivering relevant content to our customers via social media. | 4,86 | 5 | 4-5 | Keep |
| 28 | We integrate communication accross various social media platforms (e.g. Facebook, Twitter, linkedin, Instagram, blogs...) | 4,71 | 5 | 4-5 | Keep |
| 29 | We often invite our customers to share their opinions via social media. | 4,57 | 5 | 3-5 | Merge & Keep |
| 30 | We encourage customer-to-customer conversations in social media. | 3,57 | 4 | 2-5 | |
| 31 | Most of our content in social media comes from other sources. . | 3,86 | 3 | 2-5 | Drop |
| 32 | We are willing to go the extra mile to provide information for our customers via social media. | 4,71 | 4 | 3-5 | Keep |
| 33 | We make sure our presence in social media is continuous. | 4,29 | 4 | 3-5 | Keep |
| 34 | We publish content that is exclusively available via social media. | 3,16 | 3 | 1-5 | Drop |
| 35 | We tend to avoid conflicts in social media platforms by deleting undesireable messages/posts. | 3,86 | 4 | 3-5 | Drop |
| 36 | We try to solve conflicts that may arise in social media before they create greater problems. | 4,71 | 5 | 3-5 | Keep |
| 37 | We are free to openly discuss problems that arise in social media platforms. | 4,14 | 4 | 3-5 | Keep |
| 38 | We upgrade our marketing database with data collected from our social media platforms | 4,86 | 4 | 4-5 | Merge and keep |
| 39 | Our CRM system identifies interactions with individual consumers via social media | 4,14 | 4 | 3-5 | |
| 40 | We identify opinion leaders in social media and establich a one-on-one communication with them. | 3,16 | 3 | 1-5 | Drop |

| 41 | We reward the activities of our loyal customers in our social media platforms. | 4,86 | 4 | 4-5 | Keep |
|---|---|---|---|---|---|

# Appendix 4: EFA Correlation matrix

**Correlation Matrix[a]**

| | | ROSM 1 | ROSM 2 | ROSM 3 | ROSM 4 | ROSM 5 | ROSM 6 | ROSM 7 | ROSM 8 | ROSM 9 | ROSM 10 | ROSM 12 | ROSM 13 | ROSM 14 | ROSM 15 | ROSM 16 | ROSM 17 | ROSM 18 | ROSM 19 | ROSM 20 | ROSM 21 | ROSM 22 | ROSM 23 | ROSM 24 | ROSM 25 | ROSM 26 | ROSM 27 | ROSM 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Correlation | ROSM_1 | 1,00 | 0,73 | 0,68 | 0,69 | 0,53 | 0,51 | 0,47 | 0,59 | 0,59 | 0,57 | 0,56 | 0,48 | 0,46 | 0,32 | 0,30 | 0,51 | 0,41 | 0,52 | 0,57 | 0,62 | 0,61 | 0,58 | 0,57 | 0,51 | 0,59 | 0,52 | 0,08 |
| | ROSM_2 | 0,73 | 1,00 | 0,64 | 0,65 | 0,56 | 0,57 | 0,49 | 0,57 | 0,55 | 0,59 | 0,61 | 0,48 | 0,50 | 0,34 | 0,29 | 0,51 | 0,55 | 0,63 | 0,58 | 0,64 | 0,64 | 0,56 | 0,67 | 0,53 | 0,59 | 0,62 | 0,14 |
| | ROSM_3 | 0,68 | 0,64 | 1,00 | 0,71 | 0,54 | 0,61 | 0,53 | 0,57 | 0,52 | 0,45 | 0,45 | 0,52 | 0,45 | 0,38 | 0,34 | 0,60 | 0,54 | 0,72 | 0,67 | 0,79 | 0,70 | 0,66 | 0,51 | 0,73 | 0,74 | 0,65 | 0,27 |
| | ROSM_4 | 0,69 | 0,65 | 0,71 | 1,00 | 0,64 | 0,59 | 0,57 | 0,71 | 0,51 | 0,62 | 0,56 | 0,44 | 0,50 | 0,36 | 0,31 | 0,54 | 0,48 | 0,62 | 0,61 | 0,63 | 0,60 | 0,61 | 0,57 | 0,51 | 0,57 | 0,50 | 0,16 |
| | ROSM_5 | 0,53 | 0,56 | 0,54 | 0,64 | 1,00 | 0,77 | 0,68 | 0,52 | 0,47 | 0,55 | 0,45 | 0,30 | 0,35 | 0,25 | 0,24 | 0,35 | 0,32 | 0,47 | 0,48 | 0,39 | 0,46 | 0,42 | 0,59 | 0,35 | 0,41 | 0,46 | 0,15 |
| | ROSM_6 | 0,51 | 0,57 | 0,61 | 0,59 | 0,77 | 1,00 | 0,76 | 0,59 | 0,48 | 0,50 | 0,40 | 0,33 | 0,46 | 0,26 | 0,25 | 0,44 | 0,52 | 0,60 | 0,61 | 0,60 | 0,60 | 0,47 | 0,56 | 0,44 | 0,52 | 0,61 | 0,23 |
| | ROSM_7 | 0,47 | 0,49 | 0,53 | 0,57 | 0,68 | 0,76 | 1,00 | 0,61 | 0,49 | 0,46 | 0,41 | 0,30 | 0,41 | 0,29 | 0,28 | 0,38 | 0,43 | 0,53 | 0,57 | 0,52 | 0,53 | 0,48 | 0,46 | 0,36 | 0,47 | 0,50 | 0,18 |
| | ROSM_8 | 0,59 | 0,57 | 0,57 | 0,71 | 0,52 | 0,59 | 0,61 | 1,00 | 0,73 | 0,65 | 0,61 | 0,44 | 0,38 | 0,39 | 0,29 | 0,55 | 0,58 | 0,65 | 0,67 | 0,63 | 0,61 | 0,53 | 0,51 | 0,51 | 0,58 | 0,53 | 0,15 |
| | ROSM_9 | 0,59 | 0,55 | 0,52 | 0,51 | 0,47 | 0,48 | 0,49 | 0,73 | 1,00 | 0,65 | 0,46 | 0,35 | 0,38 | 0,28 | 0,16 | 0,47 | 0,45 | 0,61 | 0,51 | 0,56 | 0,51 | 0,50 | 0,50 | 0,56 | 0,54 | 0,54 | 0,17 |
| | ROSM_10 | 0,57 | 0,59 | 0,45 | 0,62 | 0,55 | 0,50 | 0,46 | 0,65 | 0,65 | 1,00 | 0,62 | 0,27 | 0,41 | 0,23 | 0,22 | 0,34 | 0,39 | 0,55 | 0,52 | 0,48 | 0,39 | 0,40 | 0,56 | 0,43 | 0,41 | 0,49 | 0,12 |
| | ROSM_12 | 0,56 | 0,61 | 0,45 | 0,56 | 0,45 | 0,40 | 0,41 | 0,61 | 0,46 | 0,62 | 1,00 | 0,50 | 0,39 | 0,41 | 0,33 | 0,50 | 0,45 | 0,55 | 0,57 | 0,47 | 0,43 | 0,51 | 0,50 | 0,38 | 0,44 | 0,44 | 0,21 |
| | ROSM_13 | 0,48 | 0,48 | 0,52 | 0,44 | 0,30 | 0,33 | 0,30 | 0,44 | 0,35 | 0,27 | 0,50 | 1,00 | 0,52 | 0,73 | 0,66 | 0,76 | 0,35 | 0,42 | 0,56 | 0,59 | 0,58 | 0,62 | 0,25 | 0,40 | 0,59 | 0,46 | 0,16 |
| | ROSM_14 | 0,46 | 0,50 | 0,45 | 0,50 | 0,35 | 0,46 | 0,41 | 0,38 | 0,38 | 0,41 | 0,39 | 0,52 | 1,00 | 0,44 | 0,46 | 0,51 | 0,39 | 0,48 | 0,46 | 0,54 | 0,46 | 0,45 | 0,37 | 0,41 | 0,38 | 0,52 | 0,18 |
| | ROSM_15 | 0,32 | 0,34 | 0,38 | 0,36 | 0,25 | 0,26 | 0,29 | 0,39 | 0,28 | 0,23 | 0,41 | 0,73 | 0,44 | 1,00 | 0,81 | 0,66 | 0,25 | 0,35 | 0,47 | 0,46 | 0,51 | 0,57 | 0,20 | 0,27 | 0,39 | 0,32 | 0,11 |
| | ROSM_16 | 0,30 | 0,29 | 0,34 | 0,31 | 0,24 | 0,25 | 0,28 | 0,29 | 0,16 | 0,22 | 0,33 | 0,66 | 0,46 | 0,81 | 1,00 | 0,60 | 0,29 | 0,33 | 0,44 | 0,45 | 0,47 | 0,55 | 0,24 | 0,23 | 0,38 | 0,32 | 0,05 |
| | ROSM_17 | 0,51 | 0,51 | 0,60 | 0,54 | 0,35 | 0,44 | 0,38 | 0,55 | 0,47 | 0,34 | 0,50 | 0,76 | 0,51 | 0,66 | 0,60 | 1,00 | 0,50 | 0,55 | 0,59 | 0,69 | 0,63 | 0,69 | 0,40 | 0,50 | 0,61 | 0,52 | 0,09 |
| | ROSM_18 | 0,41 | 0,55 | 0,54 | 0,48 | 0,32 | 0,52 | 0,43 | 0,58 | 0,45 | 0,39 | 0,45 | 0,35 | 0,39 | 0,25 | 0,29 | 0,50 | 1,00 | 0,77 | 0,65 | 0,68 | 0,53 | 0,45 | 0,50 | 0,55 | 0,57 | 0,64 | 0,16 |
| | ROSM_19 | 0,52 | 0,63 | 0,72 | 0,62 | 0,47 | 0,60 | 0,53 | 0,65 | 0,61 | 0,55 | 0,55 | 0,42 | 0,48 | 0,35 | 0,33 | 0,55 | 0,77 | 1,00 | 0,69 | 0,79 | 0,66 | 0,59 | 0,59 | 0,69 | 0,68 | 0,71 | 0,31 |
| | ROSM_20 | 0,57 | 0,58 | 0,67 | 0,61 | 0,48 | 0,61 | 0,57 | 0,67 | 0,51 | 0,52 | 0,57 | 0,56 | 0,46 | 0,47 | 0,44 | 0,59 | 0,65 | 0,69 | 1,00 | 0,74 | 0,64 | 0,66 | 0,45 | 0,55 | 0,65 | 0,60 | 0,23 |
| | ROSM_21 | 0,62 | 0,64 | 0,79 | 0,63 | 0,39 | 0,60 | 0,52 | 0,63 | 0,56 | 0,48 | 0,47 | 0,59 | 0,54 | 0,46 | 0,45 | 0,69 | 0,68 | 0,79 | 0,74 | 1,00 | 0,80 | 0,65 | 0,51 | 0,67 | 0,76 | 0,67 | 0,27 |
| | ROSM_22 | 0,61 | 0,64 | 0,70 | 0,60 | 0,46 | 0,60 | 0,53 | 0,61 | 0,51 | 0,39 | 0,43 | 0,58 | 0,46 | 0,51 | 0,47 | 0,63 | 0,53 | 0,66 | 0,64 | 0,80 | 1,00 | 0,61 | 0,46 | 0,58 | 0,72 | 0,60 | 0,28 |
| | ROSM_23 | 0,58 | 0,56 | 0,66 | 0,61 | 0,42 | 0,47 | 0,48 | 0,53 | 0,50 | 0,40 | 0,51 | 0,62 | 0,45 | 0,57 | 0,55 | 0,69 | 0,45 | 0,59 | 0,66 | 0,65 | 0,61 | 1,00 | 0,47 | 0,47 | 0,69 | 0,53 | 0,27 |
| | ROSM_24 | 0,57 | 0,67 | 0,51 | 0,57 | 0,59 | 0,56 | 0,46 | 0,51 | 0,50 | 0,56 | 0,50 | 0,25 | 0,37 | 0,20 | 0,24 | 0,40 | 0,50 | 0,59 | 0,45 | 0,51 | 0,46 | 0,47 | 1,00 | 0,51 | 0,47 | 0,60 | 0,04 |
| | ROSM_25 | 0,51 | 0,53 | 0,73 | 0,51 | 0,35 | 0,44 | 0,36 | 0,51 | 0,56 | 0,43 | 0,38 | 0,40 | 0,41 | 0,27 | 0,23 | 0,50 | 0,55 | 0,69 | 0,55 | 0,67 | 0,58 | 0,47 | 0,51 | 1,00 | 0,69 | 0,74 | 0,21 |
| | ROSM_26 | 0,59 | 0,59 | 0,74 | 0,57 | 0,41 | 0,52 | 0,47 | 0,58 | 0,54 | 0,41 | 0,44 | 0,59 | 0,38 | 0,39 | 0,38 | 0,61 | 0,57 | 0,68 | 0,65 | 0,76 | 0,72 | 0,69 | 0,47 | 0,69 | 1,00 | 0,72 | 0,20 |

| | ROSM_1 | ROSM_2 | ROSM_3 | ROSM_4 | ROSM_5 | ROSM_6 | ROSM_7 | ROSM_8 | ROSM_9 | ROSM_10 | ROSM_12 | ROSM_13 | ROSM_14 | ROSM_15 | ROSM_16 | ROSM_17 | ROSM_18 | ROSM_19 | ROSM_20 | ROSM_21 | ROSM_22 | ROSM_23 | ROSM_24 | ROSM_25 | ROSM_26 | ROSM_27 | ROSM_11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ROSM_27 | 0,52 | 0,62 | 0,65 | 0,50 | 0,46 | 0,61 | 0,50 | 0,53 | 0,54 | 0,49 | 0,44 | 0,46 | 0,52 | 0,32 | 0,32 | 0,52 | 0,64 | 0,71 | 0,60 | 0,67 | 0,60 | 0,53 | 0,60 | 0,74 | 0,72 | 1,00 | 0,19 |
| ROSM_11 | 0,08 | 0,14 | 0,27 | 0,16 | 0,15 | 0,23 | 0,18 | 0,15 | 0,17 | 0,12 | 0,21 | 0,16 | 0,18 | 0,11 | 0,05 | 0,09 | 0,16 | 0,31 | 0,23 | 0,27 | 0,28 | 0,27 | 0,04 | 0,21 | 0,20 | 0,19 | 1,00 |

Sig. (1-tailed)

| | ROSM_1 | ROSM_2 | ROSM_3 | ROSM_4 | ROSM_5 | ROSM_6 | ROSM_7 | ROSM_8 | ROSM_9 | ROSM_10 | ROSM_12 | ROSM_13 | ROSM_14 | ROSM_15 | ROSM_16 | ROSM_17 | ROSM_18 | ROSM_19 | ROSM_20 | ROSM_21 | ROSM_22 | ROSM_23 | ROSM_24 | ROSM_25 | ROSM_26 | ROSM_27 | ROSM_11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ROSM_1 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,22 |
| ROSM_2 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,07 |
| ROSM_3 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| ROSM_4 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,05 |
| ROSM_5 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,01 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,07 |
| ROSM_6 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,01 |
| ROSM_7 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,03 |
| ROSM_8 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,06 |
| ROSM_9 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,04 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,04 |
| ROSM_10 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,01 | 0,01 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,10 |
| ROSM_12 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,01 |
| ROSM_13 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,04 |
| ROSM_14 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,03 |
| ROSM_15 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,01 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,02 | 0,00 | 0,00 | 0,00 | 0,13 |
| ROSM_16 | 0,00 | 0,00 | 0,00 | 0,00 | 0,01 | 0,00 | 0,00 | 0,00 | 0,04 | 0,01 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,01 | 0,01 | 0,00 | 0,00 | 0,31 |
| ROSM_17 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,18 |
| ROSM_18 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,05 |
| ROSM_19 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| ROSM_20 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,01 |
| ROSM_21 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| ROSM_22 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| ROSM_23 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| ROSM_24 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,02 | 0,01 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 0,34 |
| ROSM_25 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,01 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,01 |
| ROSM_26 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,02 |
| ROSM_27 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,03 |
| ROSM_11 | 0,22 | 0,07 | 0,00 | 0,05 | 0,07 | 0,01 | 0,03 | 0,06 | 0,04 | 0,10 | 0,01 | 0,04 | 0,03 | 0,13 | 0,31 | 0,18 | 0,05 | 0,00 | 0,01 | 0,00 | 0,00 | 0,00 | 0,34 | 0,01 | 0,02 | 0,03 | |

**Appendix 5: Scree plot**



Scree Plot

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