

Communication Matters: The Relevance of Communication Management in the Customer-Company Interface

Olivia Wagner, Innsbruck University, olivia.wagner@uibk.ac.at

Nicola Stokburger-Sauer, Innsbruck University, nicola.stokburger-sauer@uibk.ac.at

Karin Teichmann, Innsbruck University, karin.teichmann@uibk.ac.at

Abstract

Written, face-to-face, and nonverbal communication are tools to build and enhance company identity and image. However, research is needed on the relative importance of these communication instruments and on their relationships with company success variables, such as customer-company identification and loyalty. The current paper investigates these variables in the *customer-company* interface and articulates a “*Communication-Identification Model*” (CIM). It is discussed how this study can be extended to other communication contexts and how management can use the notion of *written, face-to-face* and *nonverbal communication* in implementing management and marketing strategies.

Keywords: Communication management, customer-company identification, loyalty

Communication Matters: The Relevance of Communication Management in the Customer-Company Interface

Introduction

Communication is the foundation for successful customer-company interactions (Marques, 2010). Nevertheless, it is unclear what defines communication (e.g., organization, management, and/or marketing), as different authors use the communication term differently (e.g., Argenti, 1996). Yet, researchers have confirmed that the way in which management communicates the company's identity to their customers has consequences on company's attractiveness (e.g., Bhattacharya and Sen, 2003). Company attractiveness is also determined by customer knowledge (e.g., Alba and Hutchinson 2000) and it influences the customers' identification with the company (e.g., Ahearne, Bhattacharya, and Gruen, 2005), their satisfaction with (e.g., McAlexander, Kim and Roberts, 2003), loyalty towards (e.g., Bergami and Bagozzi, 2000) and thus the financial performance of the company (e.g., Bhattacharya and Sen, 2003; Homburg, Wieseke, and Hoyer, 2009; Mooradian and Oliver, 1997).

Communication has so far been a neglected management instrument for engendering customer's identification with the organization (e.g., Smidts, Pruyn, and Van Riel, 2001). The more positive customers perceive the communication with the company, the more they are supposed to know about the latter and thus, the stronger the image of the company can develop. Therefore, this paper investigates communication as a driver of customer-company identification. More specifically, the paper examines if written, face-to-face and nonverbal communication influence the degree to which a customer identifies with a company. The objective of the current research is to develop and empirically test what we call the "Communication Identification Model" (CIM), which assists companies in their communication management.

Theoretical Background and Conceptual Model

Research emphasizes the need to be aware of different communication associations, however, different terms are used in the literature, sometimes interchangeably, and include *corporate communication* (e.g., Argenti and Forman, 2002), *organizational communication* (e.g., Cheney, 2007), *marketing communication* (e.g., Duncan and Moriarty, 1998) and *management communication* (e.g., Smeltzer, 1996). In this paper, we focus on the exchange of information in a corporate context and thus study corporate communication (e.g., Melewar and Wooldridge, 2001). Corporate communication as the most important type of communication is the process by which a company disseminates information to customers (e.g., Kiriakidou and Millward, 2000).

Conceptual Model and Hypotheses Development. The key investigation of this research was motivated by previous research and findings gained through several pre-studies. Thus, we articulate the relevance of written, face-to-face and nonverbal communication in terms of several relationships (Figure 1). Due to space constraints, we only provide a short overview of the model. Our conceptual model of customer-company identification draws on a number of theories, like *social exchange theory* (e.g., Thibault and Kelley, 1952) and *social identity theory* (e.g., Tajfel and Turner, 1985).

Previous research has emphasized the importance of communication in the creation of customer satisfaction. Anderson (1998), for instance, states that dissatisfied customers engage

more in communication than highly satisfied customers. Further, communication can strengthen customer-company identification because it provides customers with an opportunity to create their subjective perceptions of the company, such as value and/or culture (Wiesenfeld, Raghuram, and Garud, 1999). Besides communication, also knowledge about a company can be seen as an input to increase identification (Raju, Lonial, and Mangold 1995). Based on this, we suggest that the better the communication between the company and the customers the more the customer knows about the company. Moreover, it can be assumed that knowledge positively influences company attractiveness, and that company attractiveness has a positive impact on customer satisfaction. Therefore, we propose the following hypothesis:

H₁: The better the communication between the company and the customer, the more a) the customer knows about the company, b) attractive the customer's construed external image of the company and c) satisfied the customer is.

In another exemplary relationship we assume that customer-company identification also depends on the attractiveness of a customer's construed image and furthermore on customer satisfaction with the company. Alba and Hutchinson (2000) as well as Raju, Lonial, and Mangold (1995) propose that consumers' use of identity perceptions varies with their sense of how knowledgeable they are about the company. In addition, Bhattacharya and Sen (2003) investigate the relationship between identity attractiveness and customer-company identification. Based on social identity theory the authors found evidence that the attractiveness of a company's identity depends on how similar it is to a customer's own identity. We therefore propose the following:

H₄: The more a) a customer knows about the company, b) attractive the customer's construed image of the company and c) satisfied the customer is, the higher is the customer-company identification.

It is well established that highly satisfied customers turn into loyal customers (Heskett et al., 1994). Homburg and Giering (2001), for example, provide empirical evidence for a positive relationship between customer satisfaction and loyalty. Furthermore, based on the *consumer-company identification model* Bhattacharya and Sen (2003) find support for a positive impact of customer-company identification on company loyalty. Further empirical evidence for a positive relationship between customer-company identification and loyalty has been provided by Homburg, Wieseke and Hoyer (2009). The authors suggest a two-path structure stating that customer satisfaction and customer-company identification have a positive impact on customer loyalty. In line with these authors, we suggest that customer-company identification has a positive influence on loyalty, while, however, satisfaction is an independent variable in this relationship. Thus, we extend the existing literature by measuring the path between customer satisfaction, customer-company identification, and loyalty. Moreover, it is expected that satisfaction is not only a driver of customer-company identification, but is also positively related to customer loyalty. In linking this evidence for the influence of customer satisfaction on loyalty, a mediating role of customer-company identification might logically be expected. These considerations lead to the following hypotheses:

H₅: The more satisfied the customer is, the more loyal s/he is towards the company.

H₆: The higher the customer-company identification, the more loyal the customer is toward the company.

H₇: Identification mediates the relationship between consumer satisfaction and consumer loyalty.

Finally, we assume that loyal customers have high purchase volumes and recommend the company to other customers. Empirical evidence on the relationship between customer loyalty and willingness to spend money has been provided by Mooradian and Oliver (1997), who showed that loyal customers buy more from the company they are loyal to and that they

recommend the company to other customers at the same time. Further empirical evidence for the link between company loyalty and a firm's financial performance has been provided by Homburg, Wieseke, and Hoyer (2009). Therefore, customer loyalty should be directly linked to a company's financial performance. Accordingly, we hypothesize:

H₈: The more loyal a customer is, the more money s/he spends.

Method

Measures. All construct items are measured using seven-point Likert scales ranging from "strongly disagree" to "strongly agree". We drew the majority of scales used for this study from previous research. A special focus is put on the communication items. For instance, the nonverbal communication items (e.g. "appropriateness of dress", "cultivated appearance") were adopted from Gabbott and Hogg (2000). Measuring communication with three not necessarily high correlated indices means that the construct results from a linear sum of the single measures (i.e., written, nonverbal, and face-to-face communication). Therefore, the indices are to be treated as formative indicators (Jarvis, MacKenzie and Podsakoff, 2003). To measure customer-company identification we drew on a six-item scale (Stokburger-Sauer, Ratneshwar, Sen, and Bauer, 2007) that has been modified from previous research (Bergami and Bagozzi, 2000; Smidts, Pruyn, and Van Riel, 2001). The attractiveness items of customer's construed image (e.g. "I like what hotel X stands for") are borrowed from scales developed by Bhattacharya and Sen (2003). To measure customer knowledge (e.g. "I feel like I know very well what company X stands for") we adapted the scales developed by Stokburger-Sauer, Ratneshwar, Sen and Bauer (2007) and Bhattacharya and Sen (2003). To operationalize company loyalty (e.g. "I intend to keep staying at hotel X") we used four items by Stokburger-Sauer, Ratneshwar, Sen, and Bauer (2007) as well as Putrevu and Lord (1994).

Research design and sample. In this research, we concentrate on hotel customers because of the high level of communication in this high contact service industry (Sundbo, 1997). Data were collected from customers and from hotel management (objective data). Moreover, the customer data were gathered in a family-oriented company in the "*Olympia Region Seefeld*", Austria. Data collection was carried out from November 2009 to March 2010. After screening the questionnaires for formal and content consistency, a data set of 292 respondents could be obtained. Male respondents, who account for 64% of the respondents, dominate the sample. The age of the respondents ranged from 22 to 74 years (average = 47). On average, the participants spent four nights per stay and had visited the hotel 2.4 times before.

Overview of Analyses. Complex models such as the customer-company identification construct are usually evaluated through a number of reliability and validity criteria, which can be divided into first and second-generation orders. First generation criteria used in our study were item-to-total correlation (ITTC), Cronbach's alpha (e.g. Churchill, 1979), and average variance extracted (AVE). The AVE for the factors calculated by the exploratory factor analysis (EFA) was between .85 and .94, and ITTC was between .81 and .94. Cronbach's alpha for the emerging factors ranged from .91 to .97.

Structural equation modeling (SEM) was used to empirically test the proposed relationships (Baumgartner and Homburg, 1996). Furthermore, the reliability and validity of the reflective measurement models are assessed through global and local goodness of fit indices (e.g., Bagozzi and Baumgartner, 1994). Global fit criteria used in our study were: Chi-square value divided by degree of freedom (χ^2/f), Standardized Root Mean Square Residual (SRMR), Comparative Fit Index (CFI), and Tucker-Lewis Index (TLI). Furthermore, we employed the following local fit measures for the reflective measurement models: t-value of factor loading, construct reliability (CR) and average variance extracted (AVE). All constructs have both

high reliability and convergent validity. Due to space constraints, these well-known criteria are not discussed within the scope of this paper. Internal consistency and convergent validity are not applicable to formative constructs (Jarvis *et al.*, 2003). Therefore, for the formative measurement model we inspected the weights of the composites, their respective t-values, and the variance inflation factor. Although, written communication was not significant we decided not to eliminate it due to the conceptual meaning of the construct (Rossiter, 2002).

Results

To evaluate H_1 to H_7 SEM was applied. The model was established without any restrictions and all global fits are satisfactory: $SB-\chi^2 = 511.79$, $df = 196$, $RMSEA = .074$, $CFI = .939$, $TLI = .929$, $SRMR = .067$. Tests of discriminant validity of the constructs have been performed using the tests recommended by Fornell and Larcker (1981). All constructs fulfill this requirement.

Hypothesis Testing. We find strong support for our communication path. That is, there was a significant effect of communication on knowledge ($\beta = .55$, $p < .001$) in support of H_{1a} , and on the attractiveness of customer's construed image ($\beta = .48$, $p < .001$) in support of H_{1b} . Furthermore we find that satisfaction is strongly related to communication ($\beta = .41$, $p < .001$) in support of H_{1c} . H_{1abc} were therefore supported. H_2 and H_3 deal with the relationship between knowledge and image attractiveness, and satisfaction. Customer image attractiveness is positively influenced by customer knowledge ($\beta = .43$, $p < .001$). Furthermore, customer satisfaction is positively influenced by attractiveness of customer's construed image of the company ($\beta = .54$, $p < .001$). Thus, hypotheses H_2 and H_3 can be accepted. Results indicate that knowledge (H_{4a}), attractiveness (H_{4b}) as well as satisfaction (H_{4c}) all significantly relate to identification. More specifically, identification is positively affected by customer knowledge ($\beta = .42$, $p < .001$), by attractiveness of customer's construed image ($\beta = .43$, $p < .001$), and by customer satisfaction ($\beta = .21$, $p < .001$). H_{4abc} can therefore be supported. In accordance with H_5 , we find that loyalty is positively influenced by identification ($\beta = .61$, $p < .001$). We also find a significant effect of satisfaction on loyalty ($\beta = .37$, $p < .001$), as H_6 suggests. Thus, hypotheses H_5 and H_6 can be accepted as well. To test for significance of mediation, we applied the Sobel test. Results show that identification significantly mediates the relationship between satisfaction and loyalty ($p < 0.05$, H_7 accepted). Regarding the influence of loyalty on money spent (H_8) we find strong evidence for this effect ($\beta = .40$, $p < .001$). Therefore, hypotheses H_8 can be supported. Overall, the model provides a very good explanation for identification ($R^2 = .79$) and loyalty ($R^2 = .84$), and an adequate explanation for money spent ($R^2 = .13$).

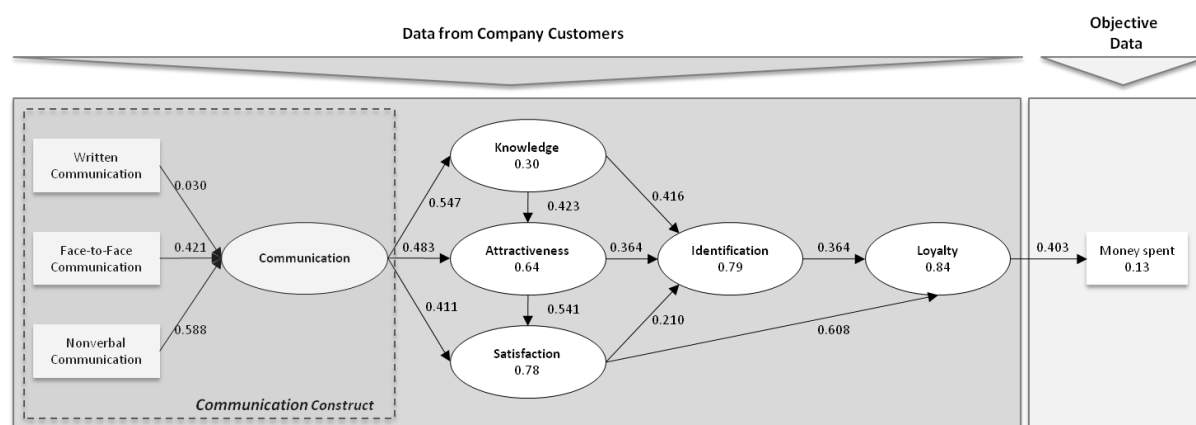


Figure 1: Communication-Identification Model (CIM)

Note: The model shows the estimated standardized path coefficients between the constructs and the coefficients of determination (R^2) within the ellipses.

Discussion and Conclusion

The results of this investigation are relevant for marketing and management research and practice; yet, important findings for other fields of research may occur. Overall, the study shows that communication positively influences customer identification with the company, which leads to more loyalty towards the company. The results provide general support for the reformulated model of customer-company identification.

Results of this study show that communication is a relevant factor that influences knowledge, company attractiveness and customer satisfaction. However, the study also reveals that written communication plays only a minor role. One reason for this might be the overall very positive on-site communication. Thus, not only management, but also employees must be effective communicators, which has so far been an under-researched topic. Furthermore, findings suggest that when company employees are able to communicate effectively with each other as well as with customers, they are more likely to perform well. Therefore, management needs effective communication skills and tools. More specifically, managers in the service industry are well advised to focus on face-to-face and nonverbal communication in addition to means of written communication (e.g., online and offline). One such option would be to engage in supporting the education and training of employees of the company. In general, company managers should be interested in increasing the quality of their written, face-to-face or nonverbal communication in order to increase company success. For instance, face-to-face and nonverbal communication are very important for the company success (Marques, 2010). Furthermore, we found a significant relationship between satisfaction and loyalty. If satisfied, customers show a higher loyalty towards the company and are more likely to spend money. The results provide managers with an understanding of which communication tool have a positive influence on the satisfaction-loyalty link. Thus we can encourage managers to increase profit through investments in customer satisfaction.

Although this study makes important contributions to the understanding of written, face-to-face and nonverbal communication as well as to customer-company identification, it entails several limitations. First, the study only involved one company and the results have to be profound for other companies as well. Secondly, this study entails only one type of high-contact service industry (i.e. hotel). Thirdly, the study measured only written, face-to-face and nonverbal communication. In further research, additional communication indicators such as customer-to-customer communication should be developed and tested. Also, it would be worth researching if differences exist between individual characteristics such as first-time visitors and re-visitors..

Nevertheless, this paper illustrates that the management key element is to assist employees to improve their face-to-face and nonverbal communication skills. In doing so, the importance of effective communication for management cannot be overemphasized because everything a service company does involves communication. Finally, the reformulated "Communication-Identification Model" offers a novel perspective on a number of essential communication factors such as image, identity and identification issues, only a few of which have been explored in this paper.

References

- Alba, J.W., Hutchinson, W.J., 2000. Knowledge calibration: What consumers know and what they think they know. *Journal of Consumer Research* 27 (2), 123-156.
- Ahearne, M., Bhattacharya, C.B., Gruen, T., 2005. Antecedents and consequences of customer-company identification: Expanding the role of relationship marketing. *Journal of Applied Psychology* 90 (3), 574-585.
- Anderson, E.W., 1998. Customer Satisfaction and Word of Mouth. *Journal of Service Research* 1 (1), 5-17.
- Argenti, P.A., 1996. Corporate communication as a discipline: Toward a definition, *Management Communication Quarterly* 10 (1), 73-97.
- Argenti, P.A., Forman, J., 2002. *The power of corporate communication: Crafting the voice and image of your business*, McGraw-Hill, New York.
- Bagozzi, R.P., Baumgartner, H., 1994. The evaluation of structural equation models and hypothesis testing. In: Bagozzi, R.P. (Ed.), *Principles of marketing research*. Blackwell Business, Oxford, UK, pp. 386-422.
- Baumgartner, H., Homburg, C., 1996. Applications of structural equation modeling in marketing and consumer research: A review. *International Journal of Research in Marketing* 13 (2), 139-161.
- Bergami, M., Bagozzi, R.P., 2000. Self-categorization, affective commitment and group self-esteem as distinct aspects of social identity in the organization. *British Journal of Social Psychology* 39 (4), 555-557.
- Bhattacharya, C.B., Sen, S., 2003. Consumer-company identification: A framework for understanding consumers' relationships with companies. *Journal of Marketing* 67 (2), 76-88.
- Cheney, G., 2007. Organizational communication comes out. *Management Communication Quarterly* 21 (1), 80-91.
- Churchill, G.A.Jr., 1979. A paradigm for developing better measures of marketing constructs. *Journal of Marketing Research* 16 (1), 64-73.
- Dukerich, J.M., Golden, B.R., Shortell, S.M., 2002. Beauty in the eye of the beholder: The impacts of organizational identification, identity and image on the cooperative behaviors of physicians. *Administrative Science Quarterly*, 47 (3), 507-533.
- Duncan, T.R., Moriarty, S.E., 1998. A communication-based marketing model for managing relationships. *Journal of Marketing* 62 (1), 1-13.
- Dutton, J.E., Dukerich, J.M., Harquail, C.V., 1994. Organizational images and member identification. *Administrative Science Quarterly* 39 (2), 239-263.

- Fornell, C., Larcker, D.F., 1981. Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research* 18 (1), 39-50.
- Gabbott, M., Hogg, G., 2000. An empirical investigation of the impact of non-verbal communication on service evaluation. *European Journal of Marketing* 34 (3-4), 384-398.
- Heskett, J.L., Jones, T.O., Loveman, G.W., Sasser, W.E., Schlesinger, L.A., 1994. Putting the service-profit chain to work. *Harvard Business Review*, 72 (March-April), 164-170.
- Homburg, C., Giering, A., 2001. Personal characteristics as moderators of the relationship between customer satisfaction and loyalty – an empirical analysis. *Journal of Psychology & Marketing* 18 (1), 43-66.
- Homburg, C., Wieseke, J., Bornemann, T., 2009. Implementing the marketing concept at the employee-customer interface: The role of customer need knowledge. *Journal of Marketing* 73 (3), 64-81.
- Hogg, M.A., Abrams D., 1988. *Social identification: A social psychology of intergroups relations and group pressure*, Routledge, London.
- Homburg, C., Wieseke, J., Hoyer, W.D., 2009. Social identity and service-profit chain. *Journal of Marketing* 73 (1), 38-54.
- Jarvis, C.B., MacKenzie, S.B., Podsakoff, P.M., 2003. A critical review of construct indicators and measurement model misspecification in marketing and consumer research. *Journal of Consumer Research* 30 (2), 199-218.
- Kiriakidou, O., Millward, L.J., 2000. Corporate identity: External reality or internal fit. *Corporate Communication* 5 (1), 49-58.
- McAlexander, J.H., Kim, S.K., Roberts, S.D., 2003. Loyalty: The influences of satisfaction and brand community integration. *Journal of Marketing Theory and Practice* 11 (14), 1-11.
- Marques, J.F., 2010. Enhancing the quality of organizational communication: A presentation of reflection-based criteria. *Journal of Communication Management* 14 (1), 1-21.
- Melewar, T.C., Wooldridge, A.R., 2001. The dynamics of corporate identity: A review of a process model. *Journal of Communication Management* 5 (4), 327-340.
- Mooradian, T.A., Oliver, J.M., 1997. I can't get no satisfaction's: The impact of personality and emotion on post purchase processes. *Psychology & Marketing* 14 (4), 379-393.
- Putrevu, S., Lord, K.R., 1994. Comparative and noncomparative advertising: Attitudinal effects under cognitive and affective involvement conditions. *Journal of Advertising* 23 (2), 77-90.
- Raju, P.S., Lonial, S.C., Mangold, W.G., 1995. Differential effects of subjective knowledge, objective knowledge and usage experience on decision making: A exploratory investigation. *Journal of Consumer Psychology* 4 (2), 153-180.

- Rossiter, J.R., 2002. The C-OAR-SE procedure for scale development in marketing. *International Journal of Research in Marketing* 19 (4), 305-335.
- Schneider, B., Hanges, P.J., Smith, D.B., Salvagio, A.N., 2003. Which comes first: Employee attitudes or organizational financial and market performance. *Journal of Applied Psychology* 88 (5), 836-851.
- Smeltzer, L.R., 1996. Communication within the manager's context. *Management Communication Quarterly* 10 (1), 5-26.
- Smidts, A., Pruyn, A.T.H., Van Riel, C.B.M., 2001. The impact of employee communication and perceived external prestige on organizational identification. *Academy of Marketing Journal* 44 (5), 1051-1062.
- Stokburger-Sauer, N.E., Ratneshwar, S., Sen, S., and Bauer, H., 2007. Exploring the antecedents and consequences of consumer-brand-identification. *Association for Consumer Research Conference Proceedings, USA: Memphis*, pp. 176-177
- Sundbo, J., 1997. Management of innovation in services. *The Service Industries Journal* 17 (3), 432-455.
- Tajfel, H., Turner, J.C., 1985. The social identity theory of intergroup behavior. In: S. Worchel, S., Austin, W.G. (Eds.), *Psychology of Intergroup Relations*, Nelson-Hall, Chicago, US, pp. 6-24.
- Thibault, J.W., Kelley, H.H., 1952. *The social psychology of groups*, John Wiley & Sons, New York.