The impact of customer advocacy on customer perceived value

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Keywords

Customer perceived value, customer advocacy, customer empowerment, organizational Innovation.

Abstract

To maintain a competitive advantage, firms are increasingly regarding customer-perceived value as a vital factor in creating new service methods. Customer advocacy presents a cascade of stages, from the operating strategy and delivery system of the company to the customer's perception of service quality. After reviewing related literature, this research identified the antecedents of customer advocacy affecting the customers, and explored the effect of customer advocacy on customer perceived value, taking customer trust and satisfaction as the intervening construct. We formulated six hypotheses. Data were collected from 388 usable questionnaires, which had been completed by customers for Taiwanese telecommunication firms. The hypotheses were tested with respondent-sample data by using a structural equation model. The results indicated that customer advocacy directly and positively relates to customer trust and satisfaction, customer trust and satisfaction directly and positively relate to customer perceived value, and customer empowerment and organizational innovation directly and positively relate to customer advocacy.

1. Introduction

Firms are operating in a complex competitive environment, in which an increasing number of customers are demanding the creation of value (Sa´nchez *et al.*, 2009). This has generated a growing interest in creating and delivering superior value to the customer (Smith & Colgate, 2007). As an increasing number of consumers gain access to powerful new media and information tools to compare products and services (Pitt *et al.*, 2002; Wind & Rangaswamy, 2001), organizations in a range of industries are responding by developing advocacy-based strategies and practices (McKenna, 2002; Baker, 2003). Using new computer-mediated technologies such as the internet, email, and the mobile phone, consumers are able to acquire more detailed information about brands, products and services to help them make smarter and more personalized choices on their own terms. They can validate a company's marketing and can more easily reject claims or statements based on their own knowledge (Ind & Riondino, 2001).

Customer advocacy aims to build deeper customer relationships by earning new levels of trust and commitment and by developing mutual transparency, dialogue, and partnership with customers. Customer advocacy requires a higher level of quality than relationship strategies, because a company that lacks superior products that is honestly trying to represent the customers' best interests cannot recommend itself. In particular, learning about each customer and developing a relationship with them helps a company become a better advocate for their customers' needs (Urban, 2004). If a service provider's efforts in customer advocacy are successful, it could gain a leading position in the industry that competitors may find difficult to overcome. Even when other

companies try to gain customer trust, the pioneers can maintain their superior positions by continuing to innovate their advocacy programs. In contrast, choosing not to embrace advocacy can present great risks to a company if competitors are able to gain customer trust first.

Little empirical evidence is available to improve our understanding of customer needs, participation, and behavior in customer advocacy capabilities. More research is required to validate our proposition that customer and firm benefits can be realized by harnessing customer advocacy. The rational view adopted in this study is the basis of understanding how superior customer advocacy can improve customer perceived value. We attempt to fill the gap in the literature regarding the roles companies play in implementing advocacy capabilities designed to improve customer perceived value, taking customer trust and satisfaction as mediators. This study attempted to identify (a) What is the effect of the customer advocacy level on customer trust, satisfaction, and perceived value?; (b) What are the antecedents of customer advocacy affecting telecom companies?; and (c) How does the business situation drive the customer advocacy level?. The results of this study are particularly relevant to telecom companies who transact or plan on transacting with customers in a B2C setting.

The remainder of this paper is organized as follows. Section 2 contains a summary of the theoretical background and hypotheses development. Section 3 presents the methodology. Section 4 provides an analysis of the theoretical results. Section 5 provides a discussion of the findings and implications, and lastly, Section 6 offers conclusions and future research.

2. Theoretical background and hypotheses development
2.1 Theoretical background
Zeithaml (1988) indicated that perceived value is a consumer's overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given. Sweeney and Soutar (2001) proposed four customer perceived values: emotional value, social value, functional value (price / value for money), and functional value (performance / quality). In addition, Ulaga and Eggert (2006) examined specific aspects of relationship value from the perspective of customers within the parameters of product quality, delivery performance, direct product costs, service support, personal interaction, acquisition costs, supplier know-how, time to market, and operations costs. The customer's perception of what is created and delivered should be established and considered when the firm defines its value proposition (Payne & Holt, 2001). Customers perceive value according to their personal judgment of what they get and what they give. The components of perceived value may be differentially weighted depending on the consumer. Analyzing perceived value from the perspective of the customer is appropriate because the success of a firm in creating value for customers depends largely on the ability of the firm to identify the type of value customers expect (DeSarbo *et al.*, 2001). Although customer perceived value is a common topic in the literature, very few studies have indicated the need to analyze the organizational capabilities that a firm requires to create customer perceived value (Martelo *et al.*, 2011). Firms must develop new competences and new knowledge to increase the efficient use of resources that are available within the economic system.

Advocacy marketing treats consumers like intelligent individuals who seek to make informed decisions about the goods and services they purchase. Advocacy is a major advancement in the evolving relationship between companies and their customers. Customer advocacy is an advanced form of market orientation that responds to the new drivers of consumer choice, involvement, and

knowledge. Customer advocacy refers to the process of faithfully representing the customers' interests and providing them with honest information (Lawer & Knox, 2006). Building customer advocacy capabilities are response to the vulnerabilities of services and branding in the face of rising consumer empowerment. It creates new opportunities for provider-customer dialogue, knowledge creation, and, critically, provides a context in which the interests of a corporation and those of its customers can be more closely aligned (Yeh, 2013). Whether customer advocacy will gradually replace the traditional forms of market exchange remains to be seen. Although most customers may now possess greater knowledge about service firms and the relative value of their products, some are more interested, motivated, and prepared to engage in such relationships than others. In addition, many companies face competitive situations, operating conditions, or customer characteristics that preclude customer advocacy. Therefore, we must investigate in which market contexts are advocacy approaches the least or most relevant, how firms change the service control mindset to create advocacy value for customers, what new service model development competencies are applied to create customer advocacy capabilities, and how these competencies are developed.

2.2 Hypotheses development

The telecommunications industry, long notorious for its aggressive marketing tactics, may be moving toward the use of customer advocacy tactics. Telecom companies have developed a virtual advisor to help people select a service package that suits them best from among a number of different plans, including those from competitors (Urban, 2004). Customer relationship marketing has enabled companies to target their customers individually, but this approach runs the risk of becoming too invasive when used continually. If a telecom service provider's efforts in customer advocacy are successful, it could gain a leading position in the telecom industry that competitors may find difficult to overcome. Even when other companies try to gain customer trust, the pioneers can maintain their superior positions by continuing to innovate their advocacy programs. In contrast, choosing not to embrace advocacy can present great risks to a company if competitors are able to gain customer trust first.

Customer trust is the extent to which customers feel that the service provider possesses goodwill and competence (Morgan & Hunt, 1994). As trust, accountability, and transparency increase, the firm can subsequently solve the problems of customers, support their decisions, and monitor the performance of their dealings in a B2C context. It is increasingly acknowledged that focusing on the connection and collaboration between the firm and the customer results in greater customer satisfaction (Ramani & Kumar, 2008). Sweeney *et al.* (1999) discovered that retail service quality plays a prominent role in the creation of value perception. The success of a firm depends on the extent to which it delivers products or services of value to customers (Payne & Holt, 2001). Although scholars have increasingly exerted efforts to understand the value creation process, presently, there is little consensus on the definition of value creation and whether the customers receive the requisite form and level of value firms seek to create (Bowman & Ambrosini, 2000; Lepak *et al.*, 2007). Therefore, we argue that as firms increase customer trust and satisfaction, firms are more likely to develop higher-order service capabilities to achieve customer perceived value. Based on these analyses, we propose the following hypothesis:

H_1：Customer trust has a positive impact on customer perceived value.

H_2：Customer satisfaction has a positive impact on customer perceived value.

Advocacy strategy incorporates the use of customer consultants (Achrol & Kotler, 1999) or trusted advisors (Sheth *et al.*, 2000) that seek to help customers make better purchasing decisions

and maximize the value of the product or service. Instead of a monologue, company advocates are establishing a dialogue with their customers and are advocating for their needs. Companies assume that these customers will then reciprocate with their trust, leading to sales and profit growth. Customer advocacy-based firms seek to incentivize and involve consumers and customers in their marketing efforts. Advocacy implies that companies will partner with their customers in the expectation that satisfied customers will relay their positive partnership with the company to others (Urban, 2004). The implementation of customer advocacy shapes many specific customer-focused capabilities of service firms, which support customers with marketing strategies and tactics that help them proactively and voluntarily convey their experiences to friends, relatives, and colleagues (Lawer & Knox, 2006). Therefore, we argue that as firms increase their customer advocacy, they are more likely to develop higher-order service capabilities to achieve customer trust. We believe that service firms can integrate new marketing techniques into the overall customer experience by creating and facilitating communities, environments, and contexts for customers to become involved with the service. By assisting consumers in finding and executing their optimum solution in a given market, a firm can more easily earn their satisfaction. Based on these analyses, we propose the following hypothesis:

H_3：Customer advocacy has a positive impact on customer trust.

H_4：Customer advocacy has a positive impact on customer satisfaction.

Customer empowerment refers to a process by which customers gain mastery or control over their own lives and democratically participate in shaping the services offered by their service provider (Zimmerman & Rappaport, 1988). The Internet is a great enabler of customer power. People are now more educated and informed, and have the tools to verify a company's claims and seek out superior alternatives from competitors. That power enables customers to avoid pushy marketers and make their own purchasing decisions (Urban, 2004). Wathieu *et al.* (2002) indicated that several trends in service industries are bringing customer empowerment to the forefront. Advances in information technology are enabling customers to specify product/service features and prices, choose service delivery methods, control exposure to product information, and learn from other customers. Ramani and Kumar (2008) emphasized that customer empowerment is an important customer linking activity that shapes customer-firm interactions. In addition, customer empowerment reflects the extent to which a firm provides customers with avenues for proactive customer involvement. Customer empowerment practices assist in institutionalizing customer advocacy capabilities by promoting interaction activities. Therefore, we believe that to be effective, customer advocacy should manifest in customer empowerment. Based on these analyses, we propose the following hypothesis:

H_5: Customer empowerment has a positive impact on the firm's customer advocacy.

Innovation implies that managers are able to devise solutions to business problems and challenges (Hult *et al.*, 2004). Organizational innovation is the receptivity and inclination of an organization to adopt new ideas that lead to the development and implementation of a new organizational method into the business practices of the firm (Hurley & Hult, 1998). Organizational innovation can reduce production and transaction costs, improve labor productivity, assist the firm in gaining access to non-tradable assets, and increase value-adding capabilities, all of which contribute to achieving this goal (Hamel, 2007). Organizational innovation is the firm's ability to collect information from its customers, recognize the value of this information, and leverage its knowledge (Srivastava *et al.*, 2001). This ability to reconfigure resources creates potential for firms to achieve new and innovative forms of competitive advantages (Teece *et al.*, 1997). Organizational

innovation promotes the design of new services and enhancements in service delivery systems (O'Cass & Ngo, 2011). Therefore, we believe that firms that are more capable of forming customer advocacy are also better able to draw upon the innovative practices that they learn from their customers. Based on these analyses, we propose the following hypothesis:

H_6：Organizational innovation has a positive impact on the firm's customer advocacy.
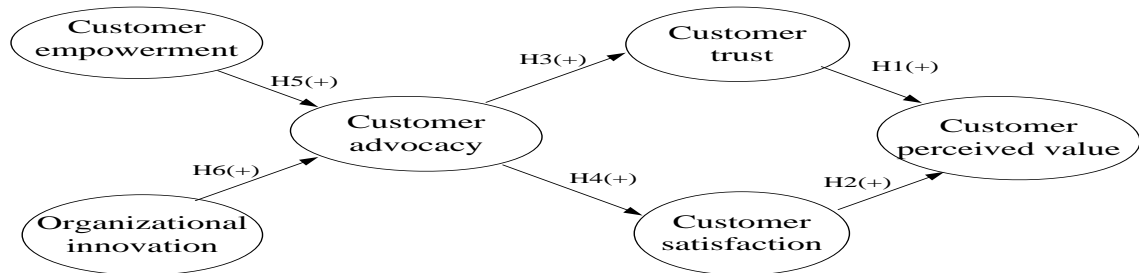

Fig. 1 Research model.

3. Methodology
3.1 Data collection

In this study, we researched customers of the Taiwanese telecom industry, and sought to understand their opinions and attitudes toward customer advocacy that was promoted by telecom firms. The participants in this study include customers from the top five Taiwanese telecommunications firms. For convenient sample answering and collection, the questionnaires were provided directly to telecom firms' customers. In total, 432 questionnaires were sent to customers, and 396 questionnaires were returned, which were encoded and filed. After removing incomplete responses, 388 valid questionnaires remained.

We sampled the gender, age group, service provider and usage period of respondents (see Table 1). These samples are highly representative of the telecom industry in Taiwan.

Table 1　Demographic characteristics

Items	Category	Frequency	Percentage
Gender	Male	214	55.2 %
	Female	174	44.8 %
Age group	< 20 years	15	3.9 %
	20 - 25 years	125	32.2 %
	26 - 35 years	121	31.2 %
	36 - 45 years	78	20.1 %
	> 45 years	49	12.6 %
Usage period	< 1 year	30	7.7 %
	1 ~ 2 years	52	13.4 %
	2 ~ 3 years	61	15.7 %
	3 ~ 4 years	82	21.1 %
	4 ~ 5 years	86	22.2 %
	> 5 years	77	19.9 %
Service provider	Chunghwa Telecom	114	29.4 %
	Taiwan mobile	105	27.0 %
	FarEasTone	90	23.2 %
	Asia Pacific Telecom	43	11.1 %
	Vibo Telecom	36	9.3 %

3.2 Measures

This study cites related literature or scales, and adopts manifest variables, that have been demonstrated to be effective. The measurements of the related variables mainly refer to

appropriately revised evidence-based literature. This study further developed the required research variables and measurements, employing 21 manifest variables as multiple indicators for six constructs (or latent variables) of the research model. To help respondents understand the questions, the questionnaire includes as many positive statements and as much simple language as possible, and avoids the use of jargon, leading questions, and double-barreled questions. Relevant customers of the telecommunications industry discussed the preliminary questionnaire and recommended additional suitable customers to discuss the questionnaire. Finally, we revised the questionnaire to make the wording simple and understandable. We tested the revised questionnaire on the customers to determine whether they sufficiently understood the questions, and again revised them based on the opinions of the respondents before conducting a full-fledged survey. The question items used to measure the manifest variables in this research consist mainly of positive statements. All items were assessed using a seven-point ordinal scale with responses ranging from *totally disagree* (one point) to *totally agree* (seven points).

3.3 Data analysis

To investigate the possibility of non-response bias in the data, we tested for statistically significant differences in the responses of early and late waves of returned surveys (Lambert & Harrington, 1990; Lessler & Kalsbeek, 1992). For each phase, we treated the last wave of surveys we received as representative of non-respondents. We split each survey sample into two groups based on early and late survey return times, and performed t tests on the responses of both groups. The t tests yielded no statistically significant differences among the survey items tested. These results suggest that non-response bias did not significantly affect this study. Table 2 shows descriptive statistics. All constructs (latent variables) had a high reliability, with Cronbach's alpha exceeding 0.8; therefore, the data reliability is generally acceptable.

Table 2 Descriptive statistics

	Mean	SD	1	2	3	4	5	6
1.Customer perceived value	4.546	1.326	0.937					
2.Customer trust	4.637	1.281	0.689	0.896				
3.Customer satisfaction	4.464	1.260	0.681	0.694	0.877			
4.Customer advocacy	4.585	1.122	0.622	0.669	0.680	0.912		
5.Customer empowerment	4.544	1.170	0.664	0.809	0.720	0.765	0.884	
6.Organizational innovation	4.795	1.160	0.573	0.662	0.700	0.689	0.669	0.901

Notes: Mean = the average score for all of the items included in this measure;
    SD = standard deviation
  Diagonal entries show the Cronbach's alpha of the construct,
    others represent correlation coefficients

Each indicator variable in the measurement model should load only one factor; that is, none of the indicators are complex variables (i.e., measuring multiple latent variables; Hatcher, 1998). We used confirmatory factor analysis (CFA) to assess the psychometric properties of the measures used in this study. The model fit also used the estimates of GFI, AGFI, NFI, CFI, RMSR and RMSEA. The results shown in Table 3 indicate a good fit with the data; when the fit indices exceeded or approached 0.9, the estimated RMSR was 0.07 and the AGFI exceeded 0.8. We assessed the

reliability of the measurements using composite reliability and variance-extracted estimates. The composite reliability of each construct exceeded 0.7 in this study, satisfying a minimally acceptable level (Hatcher, 1998). However, Fornell and Larcker (1981) suggested that variance-extracted estimates should exceed 0.5. All indices exceeded 0.5, indicating that the constructs used in this model performed fairly well. All indicator t values ranged from 16.973 to 24.000(see Table 4), demonstrating that all factor loadings were significant (p < .001). These results supported the convergent validity of all indicators that effectively measured the same construct (Anderson & Gerbing, 1988).

Table 3 Goodness-of-fit measures model.

	Model
Chi-square	502.180
Degrees of freedom	174
Goodness-of-fit-index (GFI)	0.91
Root mean square residual (RMSR)	0.07
Root mean square error of approximation (RMSEA)	0.07
Adjusted goodness-of-fit-index (AGFI)	0.87
Normed-fit index (NFI)	0.94
Comparative fit index (CFI)	0.97

Constructs and Manifest Variables	AVE	CR	Loading	t value
Customer Perceived value	0.836	0.939		
This telecom service provider reduces the time required to fulfill service requirements.			0.932	24.000
This telecom service provider ensures that customers receive positive attention and personalized service.			0.926	23.733
This telecom service provider creates more value for the customer when comparing all costs and benefits in the relationship.			0.885	21.988
Customer trust	0.748	0.899		
Believing that the telecom service provider has the professional capability for the service.			0.923	23.446
Implementing the telecom service has practical benefits.			0.884	21.839
The telecom service provider helps to increase efficiency in purchasing and service.			0.782	18.084
Customer Satisfaction	0.708	0.879		
This telecom service provider ensures that customer service preferences are satisfied.			0.870	20.962
This telecom service provider delivers the exact services that customer's desire.			0.842	19.920
This telecom service provider delivers services that exceed customer expectations.			0.811	18.798
Customer advocacy	0.636	0.913		
The telecom service provider provides complete and open information for customers.			0.788	18.203
The telecom service provider enables customers to share information about their experiences using various products and service.			0.814	19.125
The telecom service provider can honestly trying to represent the customers' best interests			0.820	19.336
The telecom service provider can help customer help themselves.			0.790	18.285
The telecom service provider can supply its customers with tools to help them solve their problems.			0.820	19.315
The telecom service provider can provide information, enabling customer to choose easily among different options.			0.751	16.973
Customer empowerment	0.714	0.882		
The telecom service provider can support customer control over the service management.			0.815	19.173

The telecom service provider can support customer participation during the customer-frontline servicers encounter.		0.843	20.228
The telecom service provider can provide customer education / support received from the services.		0.876	21.494
Organizational innovation	0.754 0.902		
The telecom service provider is more innovative than competitors in developing new ways of achieving our targets and objectives.		0.835	19.751
The telecom service provider is more innovative than competitors in initiating new procedures or services.		0.874	21.207
The telecom service provider is more innovative than competitors in recognize and leverage of the information and knowledge.		0.895	22.022

Notes: AVE = average variance extracted; CR = composite reliability;
Items were measured using a seven-point scale 1= "totally disagree" and 7=" totally agree".
All item loadings are significant at 0.05

Table 4 Measurement model results

4. Results

Based on these results, we used SEM to perform theoretical model testing with path analysis. The GFI, NFI and CFI exceeded or approached 0.9, the estimated RMSR was 0.08, and the AGFI exceeded 0.8. The research model achieved a relatively good fit (Joreskog & Sorbom, 1993). Table 5 shows a summary of the path analysis results. All path coefficients in the current model were statistically significant.

Table 5 Summary of result

Model	Hypotheses	Supported/ non supported	Standardized Parameter estimate	t value
Customer trust → Customer perceived value	H_1	Yes	0.409	7.100
Customer satisfaction → Customer perceived value	H_2	Yes	0.447	7.548
Customer advocacy → Customer trust	H_3	Yes	0.834	17.444
Customer advocacy → Customer satisfaction	H_4	Yes	0.836	16.263
Customer empowerment → Customer advocacy	H_5	Yes	0.719	12.268
Organizational innovation → Customer advocacy	H_6	Yes	0.272	5.467

5. Discussion of findings and implications

Throughout this research, we have discussed customer advocacy in the context of the vulnerabilities of telecom service companies and the changing drivers of customer perceived value. We have identified a number of firms that are experimenting with customer advocacy orientation business models and we have used these to contextualize a framework for service management. For managers, our analysis will help them evaluate how their firms might benefit from developing customer advocacy capabilities.

The research results show that customer trust and satisfaction directly and positively influences customer perceived value (H_1 and H_2 are supported). If the service providers understand the multidimensional nature of value, and the effect of value on consumer decision-making processes, they can increase aggregate value without resorting to discounts. Using the ability of

service provider staff to build emotional and social values, and knowing when to build these values, may result in substantial dividends. The competitiveness of the firm depends predominantly on understanding how to create customer trust and strengthening customer satisfaction. The ability to enhance customer trust and satisfaction is essential because increasing global competition compels firms to be innovative and to create superior value for customers.

The research results show that customer advocacy directly and positively influences customer trust and satisfaction (H_3 and H_4 are supported). This indicates that customer advocacy is strengthened by the service provider to elevate customer trust and satisfaction. The main goal of firms pursuing customer advocacy capabilities is "customer success," which is creating more authentic customer relationships by providing expert levels of customer support and guidance. In response, service firms provide customers with open, honest, and complete information - and then find the best services for them. In short, these firms are representing their customers' best interests, and essentially becoming their advocates. If a firm advocates for its customers, they will reciprocate with their trust and satisfaction. The firm may then be able to command higher prices for its products and services, because customers may be willing to pay for the extra value. People that trust a firm often tell others about it, which helps the firm reduce its costs for acquiring new customers. Although the firm may sometimes lose out to its lower-priced competitors, customers often remain loyal simply because the quality of service reinforces their trust in the service firms. Customer advocacy operates as a central isolating mechanism that assists the firm in recovering the value it provided to customers by achieving high levels customer trust and satisfaction. Therefore, services firms must emphasize the deployment of customer advocacy capabilities to achieve superior customer trust and satisfaction.

The research results show that customer empowerment and organizational innovation directly and positively influence customer advocacy (i.e., H_5 and H_6 are supported). This shows a strengthening of the customer empowerment and organizational innovation by the service provider to increase customer advocacy capabilities. Proactive customer participation is increasing, which empowers the customer, and is an essential mechanism that the customer and firm can use to co-create value. Firms principally seek to interact with customers to design products or services that meet the unique and changing needs of customers. Firms also provide customers with supporting functions to assist them in obtaining additional value from products or services. At the heart of this shift in service management is the need for a greater understanding of customer attitudes, values, relationships, and their perceptions of value. This means that the traditional tenets of product and service must be augmented by further benefits. We argue that customer advocacy-based services represent an effective means for firms to achieve better alignment with the empowered consumer. However, to become successful customer advocates, service firms must first acknowledge the rising forces of customer empowerment and then find new approaches to align the actions of the company with the needs of its customers. Understanding customer expectations and transforming these expectations into bundles of advocacy capabilities is the underpinning of generating a competitive advantage. Organizational innovation capabilities are used for implementing the development, evolution, and execution of new services and service improvement. Organizational innovation is a distinctive capability that is critical for developing new solutions and responding to the new needs of customers, and also enables the firm to build customer advocacy capabilities.

6. Conclusions and future research
In this study, we investigated how customer empowerment capabilities and the organizational

innovation of telecom service firms contribute to customer advocacy, and to achieving superior customer-perceived value by analyzing customer trust and satisfaction. This paper argues that although the service itself adds value, the enhancement of customer-perceived value relies on the firm actively communicating customer advocacy capabilities to the customers by promoting customer trust and satisfaction. Firms focus on gathering extensive data about their customers, and then use the information to segment and personalize their offerings and marketing communications. We believe that service firms facilitate the creation and sharing of knowledge, competencies, and practices through open-mindedness to shape customer advocacy.

Because of restricted funds and time, the number of research samples was limited. If the number of samples increases, the information accuracy is not improved. Therefore, the existing information has a certain level of reliability. Comparisons can be conducted after analysis is completed on different clusters, and this will provide more comprehensive information. This study suggests that researchers may develop profound insights if the moderating effect of competitive intensity and organizational structure is examined to develop a more comprehensive understanding of customer trust and the ability of firms to satisfy customers. Other industries may produce different results. Further studies should consider to what extent the measures proposed in this study are valid in different service industries, such as the pharmacy or airline industries, and what modifications need to be made to the scale items across different samples and contexts.

A cross-section of the information accurately describes the causal relationship and movement changes. Currently, this questionnaire only considers a specific period and does not progress to the customer's development phase. However, customer trust and satisfaction are a type of interaction. In a different period, the influence level is potentially very different. During various stages of the service period, different mechanisms bring about different benefits; perhaps the customer needs a different type of management. Further research may incorporate the effects of variables like service quality and price perceptions on customer loyalty, and examine additional influences.

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