

Joy and disappointment in the hotel experience: managing relationship segments

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Abstract

Purpose – The objective of this research is to provide insight into the management of service quality and emotions across customer relationships in the business-to-consumer market and to identify which segmentation method, i.e. conceptual versus data-driven, is more effective for this purpose.

Design/methodology/approach – A cross-sectional customer satisfaction survey conducted in the hotel industry was used to test the predictions. The respondents were Norwegian customers (n = 689) of an international hotel chain, interviewed by telephone through a professional marketing research bureau. Several statistical analyses were applied to analyze the data, i.e. Cluster, MANOVA and regression. The conceptual model was estimated using PLS.

Findings – It would appear that the weaker the relationship segment, the more quality-based and disappointing is the customer experience. The stronger or closer the relationship segment, the more balanced (with respect to price and quality) and joyful is the experience. One segmentation method seems to be more efficient than the other in this context.

Research limitations/implications – The sample consists of Norwegian customers from the hotel industry represented by the business customer segment. There are more men than women in the samples.

Practical implications – The findings will allow service providers to develop more effective product-service-price offerings and manage the emotional responses of customers with whom they have very different relationships.

Originality/value – This is the first scientific study to examine just how the role of emotions varies across relationship segments while comparing the findings from two different segmentation techniques.

Keywords Customer satisfaction, Customer relations, Market segmentation, Individual psychology, Customer services quality

Paper type Research paper

Introduction

One major challenge facing service providers today is adapting service levels to a heterogeneous customer base. Even a branded service has customers who are at very different relationship stages. Consider two different hotel customers, where one is a repeat customer who has a strong relationship with the hotel and its staff and the other is an infrequent visitor at best. Customer satisfaction for each customer is a complex combination of perceptions and emotional responses. Yet each customer's perceptions and resulting emotions are likely to be categorically quite different and require very different service responses

Theoretically the role of emotions has become central to our understanding of the consumption experience (Oliver, 1997). Prior studies show an impact of emotions on satisfaction (Brown and Kirmani, 1999; Dube´ and Morgan, 1996; Mano and Oliver, 1993; Oliver, 1993; Westbrook and Oliver, 1991), other research has examined relationship levels (Garbarino and Johnson, 1999), and relationship types (Guttek, e.g. 1997, 1999; Guttek et al., 1999, 2000). No studies to our knowledge have examined just how the role of emotion varies across relationship segments.

The goal of this study is to provide insight into the management of service quality and emotions across customer relationships. To identify which segmentation method is more effective we explore and compare two different ways of segmenting customers, i.e. one conceptual and one data driven. Three research questions are guiding our study. First, what is the influence of perceived performance versus emotions on satisfaction in different customer relationships? Second, how does the nature of the emotional response (joy vs disappointment) evolve with the relationship? Finally, how does the impact of a firm's product-service-price mix on emotions change as the relationship change?

The answers to these questions provide service managers and employees with the means to develop more effective product-service-price offerings for customers with whom they have very different relationships. Armed with a better understanding of both the perceptions and emotions that customers experience, service providers can truly customize their relationship management activities.

Perceived performance, customer satisfaction and emotions

Customer satisfaction is the hub in a system that connects customer perceptions and emotional responses to subsequent behaviors and business performance. Customer satisfaction is defined as a customer's overall evaluation of an offering's performance to date (Fornell et al., 1996). This satisfaction includes an offering's ability to provide a pleasurable level of consumption-related fulfillment (Oliver, 1997). Theory suggests that the more experiences one accumulates and integrates into this satisfaction evaluation the more affective and emotional the evaluation becomes (Oliver, 1999).

The marketing literature supports clear links from customer satisfaction to both customer retention and business performance. For example, Bolton (1998) finds a positive effect of customer satisfaction on retention for cell phone customers, while Bolton and Lemon (1999) show a positive effect of satisfaction on customer usage of telecom subscription services. Mittal and Kamakura (2001) show a strong albeit nonlinear effect of customer satisfaction on repurchase behavior for automobiles, where the functional form relating satisfaction to repurchase is marginally increasing. More recently Gustafsson et al. (2005) show significant effects of customer satisfaction, calculative commitment (switching barriers) and prior churn on customer retention for a range of telecom

services. With respect to financial performance, customer satisfaction is positively associated with operating margin, return on investment, accounting returns and shareholder value (see Anderson et al., 2004). Finally, customer (dis)satisfaction has been linked to positive word of mouth (Anderson, 1998) and post switching behavior due to negative word of mouth (Wangenheim, 2005). Both effects impact a firm's ability to attract new customers and thus grow the top line.

Customer satisfaction modeling

The importance of customer satisfaction underscores the need to understand just what drives satisfaction as an indication of what customers value in an offering (Best, 2004). Customer satisfaction modeling has emerged as an important means of estimating the statistical impact of an offering's benefits on customer satisfaction (Gustafsson and Johnson, 2004), which we use here to understand the combined effects of performance perceptions and emotions on satisfaction.

There are a variety of marketing research methods for estimating the impact of performance benefits and emotions on customer satisfaction. Gustafsson and Johnson (2004) compared the common approaches to estimating satisfaction models and found that PLS (partial least squares) provided the most diagnostic estimates for quality improvement decisions. PLS is essentially an iterative estimation procedure that integrates principal-components analysis with multiple regression (Fornell and Cha, 1994; Wold, 1982). A unique feature of PLS modeling is that the attributes that make up or operationalize any given performance benefit as a latent variable may be specified as either formative or reflective. This is important for our purposes as emotions are conceptualized as a combination of positive and negative emotions. In contrast, perceived price and quality are measured using multiple reflective measures of the underlying benefits.

To examine whether there are any systematic changes in the levels of the latent variables in the model, we run a series of analyses of variance models, across different relationship types. In keeping with Johnson and Selnes (2004) "type of relationship" and "level of commitment" are the categorical factors in these analyses.

Finally, we explore the effects of emotion and other latent variables on customer satisfaction. Also, the relationship between emotions and the other latent constructs is studied. Both tests are performed using Baron and Kenny's (1986) test of mediation. In line with Gustafsson and Johnson (2004) we run Principal Component Regression (PCR) analyses. According to Gustafsson and Johnson (2004) PCR is an alternative to formative and reflective PLS. In this study PCR is used to replicate and extend the results from the PLS analyses. Traditional PCR, is data driven and atheoretical (Gustafsson and Johnson, 2004). Hence, in our study we apply a variation of PCR as we want to test our conceptual model and not let the data decide for us.

Emotions and satisfaction

As an overall evaluation established over time, satisfaction typically mediates the effects of product quality, service quality and price or payment equity on retention (Bolton and Lemon, 1999). Although satisfaction models tend to focus on customers' more cognitive evaluations, cumulative satisfaction contains a significant emotional or affective component created through repeated product or service usage (Oliver, 1999).

Within the growing literature on emotion in marketing, quite some attention has been given to the role emotions play in a customer satisfaction model (Oliver, 1997; Bagozzi, Gopinath

and Nyer, 1999). Studies have been conducted in various service contexts. To mention but a couple, Evrard and Aurier (1994) studied the relationship between emotions and satisfaction during a movie experience. Price et al. (1995) investigated the relationship between emotions and satisfaction in extended, affective and intimate service encounters, while Mooradian and Oliver (1997) looked at the relationship between personality, emotions, satisfaction and behavioral consequences. Wirtz and Bateson (1999) integrated Russell's (1980) model of affect into Oliver's (1980) disconfirmation of satisfaction model in a home banking service and Liljander and Strandvik (1997) looked at the effects of negative versus positive emotions on satisfaction in different emotional customer segments of a public labor force bureau. More recently, Ladhari (2007) examines the bi-dimensional nature of disconfirmation of expectations, i.e. disconfirmation of cognitive expectations and affective expectations, using the movie experience again, as in the Evrard and Aurier (1994) study.

Contemporary research is very consistent regarding the role of emotions *vis-a-vis* perceptions and satisfaction. This research supports positive and negative emotions as partial mediators that connect performance perceptions to customer satisfaction look to (Brown and Kirmani, 1999; Dube' and Morgan, 1996; Mano and Oliver, 1993; Oliver, 1993; Taylor, 1994; Westbrook and Oliver, 1991) also. Liljander and Strandvik (1997), among others discuss the role of affect as an independent contributor to satisfaction together with a cognitive construct. These two roles of affect, i.e. as a mediator on the one hand and an independent variable on the other, are not mutual exclusive, rather performance "can affect satisfaction either directly or indirectly through affect" (Liljander and Strandvik, 1997, p. 151) and Oliver, (1997). As such, improving price or quality performance levels both enhances positive emotions and lowers negative emotions, which in turn improves customer satisfaction. Improved performance has a direct effect on satisfaction in addition to its indirect effect via emotions. This expected causality is consistent with the classical primacy of cognition hypothesis (e.g. Zajonc, 1998) where appraisals are assumed to begin with cognitions (Oliver, 1997), i.e. customers evaluating and judging service features such as price and quality. Does the sequence of events always begin this way? Several researchers have raised this question (e.g. Oliver, 1997, Zajonc, 1980, 1998). Both Oliver (1997) and Zajonc (1998) conclude that it can be easily "defended for primacy of affect on several grounds" (Zajonc, 1998, p. 613). "In fact", as summarized by Oliver (1997, p. 310) even "a back-and-forth interplay of emotions and cognition over time is not unusual". As customers of today tend to engage in different service provider relationships, of various length and complexity, the nature of the relationship will most likely influence and even alternate the sequence of events in the evaluation process (Liljander and Strandvik, 1997). Although, the "cognition first, emotion second" sequence encompasses a large number of consumption situations" (Oliver, 1997, p. 310).

Another stream of research explores the role of emotions in service recovery situations. Andreassen (1999) demonstrates how emotions have a negative impact on satisfaction and future behavioral intent over a wide variety of services. Smith and Bolton (2002) show how the effect of emotional responses on satisfaction depends on the industry and the customer's point of reference. They find no effect of emotions on satisfaction in a restaurant setting where the reference point is any given service provider, but a significant effect in a hotel setting where the reference point is a particular chain. Two other findings from this study are pertinent to ours. First, emotions had greater influence on more transaction-based evaluations, which are akin to the weaker relationships in our segmentation scheme. Second, the more negative the emotions, the

more thoroughly customers' evaluated the service provider's performance and the greater its impact on satisfaction.

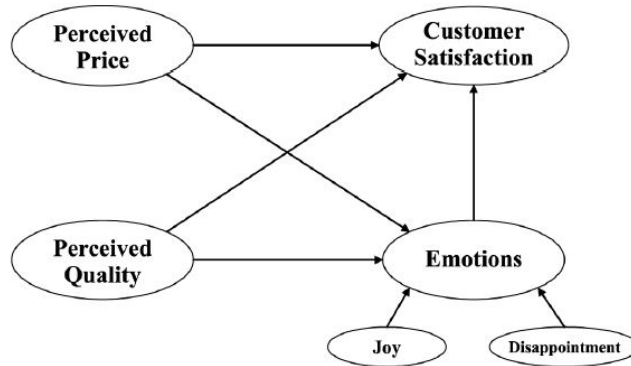
A performance-emotions-satisfaction model

Our study uses data from a satisfaction survey of a global branded Scandinavian hotel chain. The survey measures allow us to model the following general drivers of customer satisfaction: perceived price, perceived quality, and customers' positive and negative emotional responses. The satisfaction model in Figure 1 builds directly on the satisfaction literature. It includes the direct effects of the price and quality perceptions on both emotions and customer satisfaction as well as the direct effect of emotions on satisfaction. As described earlier, the company's survey includes multiple measures of perceived price and perceived quality. Following Johnson et al. (2001), the price measures include price versus quality, price versus other hotels, and price versus expectations. By purifying the price construct we avoid confounding perceived quality and value. The quality measures include evaluations of the facilities, the rooms, food and service.

We model customers' overall emotional reaction to the experience as a formative construct or combination of distinct positive and negative emotions. This two-factor solution is consistent with studies by Bagozzi et al. (1998), Dube' and Morgan (1998), Derbaix (1995), Laros and Steenkamp (2005), Phillips and Baumgartner (2002), Oliver (1993), Steenkamp et al. (1996), and Westbrook (1987). Subsequently we label as emotional dimensions joy and disappointment. While the joy dimension is consistent with the work by Nyer (1997) and Richins (1997), the disappointment dimension replicates Smith and Bolton (2002). Alternatively, the structure of emotions could be established by the hierarchical approach applied by Laros and Steenkamp (2005). Still, for the purpose of this study we follow the suggestions by Jarvis et al.'s (2003), who have established decision rules for determining whether a construct is formative or reflective[1]. In keeping with this we concluded that modeling emotion as a formative construct is more appropriate than modeling it as a reflective construct. Modeling emotions as a formative construct is also consistent with Bagozzi et al.'s (1999) argument that discrete emotional responses are naturally occurring events that correspond to unique appraisal conditions, such as our relationship types. Finally, both Izard (1977) and Bagozzi, Gopinath and Nyer (1999), among others, support the assumption that emotions are discrete responses.

Noticeably missing from the model is affective commitment, a construct that has received considerable attention lately (Fullerton, 2003; Garbarino and Johnson, 1999;

Figure 1.
Service quality, emotions and satisfaction model



Gustafsson et al., 2005; Verhoef, 2003). Marketing scholars have variously defined relationship commitment as a desire to maintain a relationship (Moorman et al., 1992; Morgan and Hunt, 1994), a pledge of continuity between parties (Dwyer et al., 1987), the sacrifice or potential for sacrifice if a relationship ends (Anderson and Weitz, 1992), or the absence of competitive offerings (Gundlach et al., 1995).

The various definitions suggest two major dimensions of relationship commitment, affective and calculative or continuance commitment (Fullerton, 2003; Hansen et al., 2003; Johnson et al., 2001). Affective commitment is a hotter or more emotional factor that develops through the degree of reciprocity or personal involvement that a customer has with a company, which results in a higher level of trust and commitment (Garbarino and Johnson, 1999; Morgan and Hunt, 1994). Calculative commitment is the colder or more rational, economic-based dependence on product benefits due to a lack of viable competitive alternatives (Anderson and Weitz, 1992; Dwyer et al., 1987; Heide and John, 1992), which operates with customer satisfaction and past behavior to predict retention (Gustafsson et al., 2005).

As previously mentioned, affective commitment is not in the model per se because it may serve as an ideal basis for operationalizing customer segments that are low, medium or high with respect to their personal relationship and resulting commitment to a hotel. Because affective commitment is used outside the model to segment customers, we exclude it from the satisfaction model. This avoids any problems associated with using commitment as both an endogenous and exogenous construct.

Relationship typology

From seminal works in the inter-organizational marketing literature (see for example MacCaulay, 1963; MacNeil, 1974, 1978, 1980; Dwyer et al., 1987; Noordweier et al., 1990; Heide, 1994), we have learned that the nature of an exchange should fall somewhere on the continuum between a discrete transaction and a relationship. In the service marketing literature, several researchers as for example Liljander and Strandvik (1995) and Lovelock (1983) apply this continuum when distinguishing between the service encounter and a relationship. Breaking away from the traditional perspective an alternative typology is suggested by Gutek et al. (1995, 1997, 1999, 2000). Underlying their framework is the suggestion that customer/service provider contacts initially may be viewed as interactions between strangers. They refer to the different interaction

types as service encounters, pseudo or service relationships. As such these different interaction types will most likely include different dimensions that vary in degree of rationality and affectivity. In their conceptual description of the different types of service relationships, Gutek et al. (1995, 1997, 1999, 2000) suggest that a service encounter takes place between two strangers who do not expect to interact in the future. They argue that customers consider service providers to be functionally equivalent and therefore interchangeable. A pseudo relationship is a hybrid of the service encounter and the service relationship. It takes place when the customer returns to the same organization time and again but interacts with different service providers each time (e.g. Gutek, 1999). Customer information is stored so it is available to any of the organization's service providers any time. A typical example would be a customer loyalty program, such as a frequent flier mileage program or a hotel's frequent stayer program. Finally, a service relationship occurs when a customer has repeated contact with a particular provider. Customers and provider get to know each other, both as individuals and as role occupants (e.g. Gutek, 1999). The customer perceives and experiences a special connection with the front line service provider.

An alternative to Gutek et al.'s typology yet likely related is to segment customers' based on their degree of affective commitment to the supplier. Affective commitment is central to relationship typologies in marketing. Johnson and Selnes (2004) explored how value is created in buyer-supplier relationships as affective commitment grows from acquaintances, to friends, to partners. More transaction-based or acquaintance relationships are effective as long as the supplier provides an offering that is satisfactory at a price that is perceived as fair. Repetitive interactions create familiarity, which facilitates marketing, sales and service. Friendships evolve when a supplier provides buyers with a differentiated offering that generates not just satisfaction, but a level of trust in the relationship. The flow of information between buyer and supplier is greater, which enables suppliers to adapt to changes in customer needs, communicate them through the organization, and produce improved products and services (Kohli and Jaworski, 1990; Narver and Slater, 1990). Partnerships require higher levels of commitment in the form of information sharing and relationship specific investments (Morgan and Hunt, 1994). Products and service become customized, not just differentiated, which leads to higher levels of personal commitment.

Psychologically, affective commitment is a natural continuum on which to segment customers across a relationship typology. However, while we expect emotional responses to vary with commitment level there are competing arguments as to how. One argument, from traditional attitude theory, is that stored evaluations and attitudes become more affective and emotionally charged with repeated experience. For example, Oliver's (1999) loyalty framework suggests that the affective component in overall satisfaction evaluations grows with a customer's experience and commitment. The logic is that the cognitive component of the evaluation predominates when an attitude is forming while the affective component grows with attitude strength (Petty et al., 1995; Priester et al., 2004). With reference to our model in Figure 1, this argument suggests that customers' emotions have greater impact on customer satisfaction as affective commitment increases.

An alternative prediction is that emotions have more impact when relationship commitment is low because of the valence (negativity versus positivity) of the emotions (Andreassen and Lindestad, 1998). This prediction rests on the observation that weaker relationships are marked by lower levels of customer satisfaction (Gustafsson et al., 2005) based on a higher incidence of "things gone wrong". That "losses loom larger than gains" is one of the most

generalized findings in decision research (Kahneman and Tversky, 1979). Within a customer satisfaction context, this suggests that the more negative emotions that accompany lower levels of commitment have greater impact on customer satisfaction, while the more positive emotions that accompany higher levels of commitment have less impact on satisfaction.

This prediction is consistent with the observation that individuals who are relatively dissatisfied based on a negative evaluative or emotional state use more detailed and elaborate evaluation processes (Smith and Bolton, 2002). The prediction is also consistent with Anderson's (1998) study of word of mouth as a function of customer (dis)satisfaction. He finds that customer dissatisfaction results in significantly higher levels of negative word of mouth than does satisfaction result in positive word of mouth. Finally, the prediction is consistent with the notion that emotions play a greater role in transaction-specific evaluations of satisfaction rather than more cumulative evaluations (Smith and Bolton, 2002). Customer expectations are simply less likely to be met when customers have limited experience with an offering. Experienced customers, in contrast, should have more accurate expectations and experience fewer surprises (Johnson et al., 1995; Rust et al., 1999).

Predictions

We summarize the discussion by making explicit predictions both with respect to the conceptual model and how changes in affective commitment and relationship type affect the model. As we rely on a model structure that is well supported in the literature, we expect all of the paths in Figure 1 to be significant. At the same time, we expect the degree to which price versus quality impact emotions and/or satisfaction to be very context or value-proposition dependent. Our focal predictions are competing regarding the effects of emotions on satisfaction. Using an attitude-theory argument, we expect the impact of emotions to increase with affective commitment as the strength of the attitude grows. Relying more on the valence of the emotions, an alternative prediction is two-fold. First, the higher the affective commitment or stronger the relationship, the less negative and more positive are the emotions. Second, the more positive emotions that accompany stronger relationships have less influence on customer satisfaction than do the negative emotions that accompany weaker relationships.

Hotel study

Methodology

We tested our predictions using cross-sectional customer satisfaction survey data from an international hotel chain. The respondents were Norwegian customers of the chain interviewed by telephone (CATI) through a professional marketing research bureau. Prospective respondents, who were not available on the first call, were called back three times before a substitute was picked. Each interview lasted approximately 15 minutes. There were in total 689 hotel customers interviewed in this study. Overall the sample was 87 percent male with a median age of 56 and median income of almost 95,000 USD (620,000 NOK).

Survey measures and emotion dimensions

All of the survey measures used to estimate the model in Figure 1 are listed in Table I. As noted, the hotel chain's price levels were evaluated using three reflective measures: price versus quality, price versus other hotels, and price versus expectation. Perceived quality was also

measured using three reflective measures: quality of the facilities and equipment, quality of the products (the room and breakfast), and the service levels in reception, housekeeping and the restaurant. Customer satisfaction, as an overall evaluation of the customers experience with the hotel chain, was measured using three established reflective measures: overall satisfaction, overall performance versus expectations, and overall performance versus an ideal hotel (Fornell et al., 1996).

Each survey respondent also rated their emotional reactions to their experiences with the hotel on 12 uni-polar questions asking the respondent to express to what extent each emotion describes their own feeling as recommended by Bagozzi, Gopinath and Nyer (1999). The questions were adapted from classical studies on emotions (see Oliver, 1997; Westbrook and Oliver, 1991). These included ratings of joy, elation, enthusiasm, satisfaction, indifference, disappointment, frustration, irritation, disliking, contempt, hatred and anger. An exploratory principal components analysis of these ratings (with varimax rotation) revealed two primary emotional dimensions, one positive and one negative. These results are consistent with previous research by, e.g. Liljander and Strandvik (1997), Oliver (1993, 1997), Bagozzi, Wong and Yi (1999) and Laros and Steenkamp (2005). They were the only two dimensions with Eigenvalues greater than one and explain 72 percent of the variation among the measures. The highest loadings for the positive dimension were for joy, elation and enthusiasm. The highest loadings for the negative dimension were for disappointment, frustration, irritation and disliking. The satisfaction rating was dropped from further analysis because of its conceptual overlap with our satisfaction latent variable. The indifference rating was also dropped as it did not load highly on either of the two major dimensions.

Table I.
Model constructs, survey measures and AVE by relationship segment

Construct	Measures	AVE
Perceived quality	1. Quality of facilities and equipment	LC = 0.709
	2. Quality of products such as the room and breakfast	MC = 0.646
	3. Quality of the service levels in reception, housekeeping and the restaurant	HC = 0.700
Perceived price	1. Price versus quality	LC = 0.800
	2. Price versus other hotels	MC = 0.748
	3. Price versus expectations	HC = 0.762
Emotions	1. Joy index	LC = 0.662
	2. Disappointment index	MC = 0.596 HC = 0.535
Customer satisfaction	1. Overall satisfaction	LC = 0.766
	2. Overall performance versus expectation	MC = 0.691
	3. Overall performance versus an ideal hotel	HC = 0.662

Notes: LC = low commitment, MC = medium commitment and HC = high commitment. The perceived quality and perceived price measures are rated on scales of 1 (poor) to 10 (excellent)

The contempt, hatred and anger dimensions were unique in that they loaded positively on the negative emotion dimension (although none as high as the four measures of disappointment) and positively on the joy dimension (although none as high as the three measures of joy). In initial tests of the model we explored using these measures to create a third emotion dimension, which we termed hatred to capture the more extreme emotions. The impact of this factor never approached significance and was subsequently dropped from the models. Again, these results support the two factor solution identified in earlier research.

We subsequently created two indices to capture the positive and negative emotions. The negative index included ratings of the joy, elation and enthusiasm that customers have for the hotel, which we label joy. The negative index included ratings of disappointment, frustration, irritation and disliking, which we label disappointment. Principal components analysis was used to extract the first component of each separate set of measures to operationalize these dimensions. For the joy dimension, the index explains 90 percent of the variation among the ratings. For the disappointment dimension, the index explains 83 percent of the variation among the ratings. In our PLS models, these two dimensions are used as formative indicators of customers' overall emotional reaction to the hotel experience.

Relationship segments

In an effort to identify the more effective method of relationship segmentation we contrast Gutek et al.'s framework (1995, 1997, 1999, 2000) with a segmentation method based on level of affective commitment. Gutek et al.'s work requires screening statements in which customers report whether they attend a regular "contact person" or "a clinic". A regular "contact person" classifies as a service relationship. A regular "clinic", implies a pseudo relationship. If neither of the above is true, then the incident is defined as a service encounter. The hotel industry is not a context where it is common to approach the same contact person each time. For this reason special selection criteria had to be developed to identify the right respondents for each type of interaction. These selection criteria were also developed in line with Gutek et al.'s work (1995, 1997) and in cooperation with the management of the hotel chain. Gutek's statements were used as complementary questions. In order to identify service relationship customers, respondents with at least ten stays at the same hotel over the past 12 months were selected. Pseudo relationship customers had to stay at least at ten different hotels during the last 12 months. Service encounter customers were required to have only one stay at a hotel over the last 12 months. The hotel chain provided customer lists for each sample. This segmentation method provided us with 142 service encounter customers, 247 pseudo relationship customers and 300 service relationship customers. As very few have little or no experience with hotels it was difficult to obtain respondents for the service encounter group. In the service encounter sample, ten respondents reported having a regular contact person (7 percent), compared with six respondents (2 percent) reporting the same in the pseudo relationship sample, and 34 (11 percent) in the service relationship sample. This suggests that in the hotel industry customers engaging in service relationships are more likely to have a regular contact person than those in a service encounter or pseudo relationship. Table II reports descriptive statistics for the three service relationships based on Gutek et al.'s typology. In order to develop three significantly different relationship commitment segments we used our three measures of affective commitment as input to latent clustering analysis (Vermunt and Magidson, 2003). The commitment measures were Likert ratings of three statements that reflect the personal relationship and commitment between the hotel and its guest:

- (1) "I stay with the hotel because I feel like part of the family";
- (2) "I stay with the hotel because I appreciate the hotel and the people working there"; and
- (3) "I stay with hotel because I like the hotel and the people working there".

A three-cluster solution was estimated to be theoretically consistent with existing relationship typologies (Johnson and Selnes, 2004). This yields a highly significant solution with 234, 339 and 116 customers in the low commitment, medium commitment and high commitment segments respectively (Log likelihood = -3,568.707, $R^2 = 0.897$).

Table III reports descriptive statistics for the three clusters across the three affective commitment measures as well as the three customer satisfaction measures (all on ten-point scales) and the two emotion dimensions (standardized principal component scores).

To explore the relationship between the two segmentation methods, we ran crosstabs analysis on "relationship type" by "commitment level", see Table IV.

Table II.
Mean score by relationship type segments

Descriptor	Service encounter	Pseudo relation	Service relation
Segment size	142 (20.60%)	247 (35.84%)	300 (43.54%)
<i>Affective commitment measures (means):</i>			
1. "I stay with the hotel because I feel like part of the family."	5.93	6.88	7.15
2. "I stay with the hotel because I appreciate the hotel and the people working there."	6.72	7.27	7.55
3. "I stay with the hotel because I like the hotel and the people working there."	6.44	7.12	7.60
<i>Customer satisfaction measures (means):</i>			
1. Overall satisfaction	7.28	7.47	7.64
2. Overall performance versus expectations	6.76	6.90	7.01
3. Overall performance versus ideal	6.36	6.95	6.85
<i>Price (means):</i>			
1. Price versus quality	6.85	6.69	7.49
2. Price versus other hotels	6.76	6.53	7.23
3. Price versus expectations	6.77	6.36	7.06
<i>Quality (means):</i>			
1. Quality of facilities and equipment	6.99	7.00	6.90
2. Quality of products such as room and breakfast	6.97	7.14	7.14
3. Quality of the service levels in reception, housekeeping and the restaurant	7.15	7.28	7.72
<i>Emotion dimensions (standardized means):</i>			
1. Joy	-0.138	-0.063	0.117
2. Disappointment	-0.125	0.138	-0.054

From Table IV we see that all three levels of commitment are represented in each relationship type. Indicating that even service encounter customers may be highly committed. We do also find the opposite situation that service relationship customers may sometimes be low in their commitment.

Comparing MANOVA results (see Table V), the three relationship groups suggested by Gutek and colleagues, show a general trend of increasingly more positive score as the relationship evolve.

However, this segmentation methodology provides fewer significant differences across relationships. In general, it seems like service encounter customers are less of the price, and experience less joy than the service relationship and high commitment segments respectively (Log likelihood = -3, 568.707, $R^2 = 0.897$).

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Comparing MANOVA results (see Table V), the three relationship groups suggested by Gutek and colleagues, show a general trend of increasingly more positive score as the relationship evolve. However, this segmentation methodology provides fewer significant differences across relationships. In general, it seems like service encounter customers are less satisfied, think less of the price, and experience less joy than the service relationship customers do. The pseudo relationship customer group is not significantly different from the service encounter customer group on any account except they seem to be more disappointed in the service provider. Compared to the service relationship group, the pseudo relationship customers are, less happy with the price and find the service less joyful and again they are more disappointed in the service provider. Despite, their lack of affection towards the service provider,

Table III.
Mean score by relationship commitment segments

Descriptor	Low affective commitment	Medium affective commitment	High affective commitment
Segment size	234 (35.29%)	339 (47.95%)	116 (16.76%)
<i>Affective commitment measures (means):</i>			
1. "I stay with the hotel because I feel like part of the family."	4.312	7.562	9.895
2. "I stay with the hotel because I appreciate the hotel and the people working there."	4.980	8.028	10.000
3. "I stay with the hotel because I like the hotel and the people working there."	4.892	7.927	9.936
<i>Customer satisfaction measures (means):</i>			
1. Overall satisfaction	5.811	7.197	8.344
2. Overall performance versus expectations	6.333	7.805	8.991
3. Overall performance versus ideal	5.740	7.046	8.127
<i>Price (means):</i>			
1. Price versus quality	6.189	7.239	8.287
2. Price versus other hotels	6.134	6.999	8.008
3. Price versus expectations	6.048	6.871	7.732
<i>Quality (means):</i>			
1. Quality of facilities and equipment	6.201	7.398	8.500
2. Quality of products such as room and breakfast	6.166	7.118	8.043
3. Quality of the service levels in reception, housekeeping and the restaurant	6.184	7.272	8.474
<i>Emotion dimensions (standardized means):</i>			
1. Joy	-0.706	0.155	0.972
2. Disappointment	0.318	-0.047	-0.504

Table IV.
Relationship type by level of commitment

	Service encounter		Pseudo relationship		True relationship	
Low commitment	69	10%	79	11.5%	86	12%
Medium commitment	59	8.5%	147	21%	133	20%
High commitment	14	2%	21	3%	81	12%
Total	142		247		300	689/100%

they seem to think that the hotels they have stayed at are closer to the ideal, than service encounter and relationship customers think of their hotels (see Table II for this result). This finding may be explained by the different points of reference when comparing distance to ideal point. Pseudo relationship customers may use the hotel chain as point of reference whereas true relationship customers may use the contact person as point of reference – leaving more to be desired.

Bottom line, when we apply Gutek et al.'s relationship categories we find that the three categories are not significantly different from each other in all respects. That is service encounters seem to be significantly different from service relationships, but overall pseudo relationships customers are not different from service encounter customers. Thus, we interpret these categories as evolutionary stages in a service relationship development process rather than distinct different relationship types. Alternatively, as more significant differences are found from the pseudo relationship group to true relationship group, this may indicate two distinct relationship categories rather than three. Under any circumstances, in this evolutionary process we find support for the first part of the alternative prediction, in which we suggest that the higher the affective commitment or stronger the relationship, the less negative and more positive are the emotions. Therefore, we do note that emotion seems to be a concept that may pose distinctions between the groups.

Applying the commitment segmentation methodology, MANOVA models see Table VI, support significant differences across all three segments on each set of the measures in the table. The affective commitment segments vary predictably with respect to the level of satisfaction, which is consistent with Gustafsson et al.' (2005) empirical study and Johnson and Selnes' (2004) relationship typology (where satisfaction increases from acquaintances, to friends, to partners).

Table V.
MANOVA results: relationship type segment

	Service encounters (a) (<i>n</i> = 142)	Pseudo relationships (b) (<i>n</i> = 247)	True relationships (c) (<i>n</i> = 300)
Satisfaction	-0.180***	0.022	0.066*
Price	-0.054***	-0.235***	0.219*, **
Quality	-0.087	-0.015	0.054
Joy	-0.138***	-0.063***	0.117*, **
Disappointment	-0.125**	0.138*, ***	-0.054**

Notes: All means are standardized; *, **, *** indicate significant difference from respective group at $p < 0.05$

Table VI.
MANOVA results: relationship type by level of commitment

	Low affective commitment (<i>n</i> = 234)	Med. affective commitment (<i>n</i> = 339)	High affective commitment (<i>n</i> = 116)
Satisfaction	-0.753	0.190	0.964
Price	-0.506	0.097	0.739
Quality	-0.667	0.127	0.975
Joy	-0.706	0.155	0.972
Disappointment	0.318	-0.047	-0.504

Notes: All means are standardized. All mean scores are significantly different across groups at $p < 0.05$

The emotion dimensions are particularly interesting as they support a distinct evolution of emotions. As affective relationship commitment increases, there is a systematic decrease in disappointment and increase in joy. This finding supports the fact that business to consumer relationship take on fundamentally different forms as customers evolve through different phases or stages of a relationship (Bendapudi and Berry, 1997), which explains customers' commitment and loyalty to the service provider.

So far in this study, we have seen that both segmentation methods support the prediction that emotions become more positive as relationship evolves. We do also find that applying commitment level rather than relationship type is a more efficient segmentation tool. When applying commitment as segmentation variable, the respective groups become intra homogenous and inter heterogeneous, which are crucial criteria that must be met (e.g. Kotler, 1994). In keeping with our finding we will conduct the remaining analyses in the three commitment groups only. We will refer to these as relationship segments.

Estimation results

Our next step was to estimate the conceptual model using PLS for each of the three commitment based relationship segments. PLS models are evaluated on the reliability of the reflective constructs, the discriminant validity of the reflective constructs, the size and significance of the path

coefficients, and the ability of the model to predict (in this case customer satisfaction). Note that the reliability and discriminant validity criteria do not apply to formative constructs (in this case emotions), as such constructs are conceptually defined by their sub-dimensions (Bagozzi and Yi, 1994; Fornell and Cha, 1994). The reliability criterion is referred to as communalities or AVE (average variance extracted; see Fornell and Larcker, 1981) in the case of the standardized results reported in Table I. The AVE criteria should exceed 0.5, which is the case for all the reflective constructs in the models. The discriminant validity of the reflective constructs is supported by the fact that their squared correlations are lower than their corresponding AVEs (Fornell and Larcker, 1981).

The path coefficients for all three models are presented in Table V along with the variance explained in emotions and customer satisfaction. We subsequently used the measurement weights from the PLS models to operationalize the latent variables and rerun the final linear models. The purpose is twofold:

- (1) to test the statistical significance of the path coefficients for each group; and
- (2) to test for differences across the segments by combining the segments and testing for interactions.

These group-level results completely replicate the PLS output. We then included a fixed factor to test for differences across all three segments by estimating a series of general linear models. Table VII notes which paths in the individual models are not significant, and where the paths change significantly from level to level based on significant interactions in the general linear models.

The most interesting results for our investigation relate to changes in the path coefficients across relationship segments. Notice that the direct effect of emotions on satisfaction drops significantly as the customer relationships get stronger. This result is consistent with the observation that the stronger the relationship segment, the less disappointing and more joyful the experience. As losses loom larger than gains, the more negative emotions in the low commitment segment have a larger net impact on satisfaction. Observe that the relationship segments are very similar with respect to the direct effects of price and quality on customer satisfaction, where all three segments are more quality sensitive than price sensitive. Although price does not have a significant direct effect on satisfaction when each segment is analyzed separately, it does have a significant direct effect on both satisfaction and emotions when all three segments are combined in a general linear model.

The impact of price directly on emotions increases with relationship strength, although the interaction is not significant. There is, however, a significant interaction or decrease in the impact of quality on emotions as relationship strength increases. The impact of quality on emotions is three times larger for the low commitment segment (0.493) than for the high commitment segment (0.134). When the price and quality results are combined, it becomes clear that the disappointment experienced by low commitment customers is predominantly quality-based, while the joy experienced by higher commitment customers is more price-based.

Finally the increasingly positive emotions that accompany increased relationship commitment show a clear pattern with respect to joy and disappointment. The higher the commitment, the systematically higher the contribution of joy and lower the contribution of disappointment on emotions (both interactions are significant). These findings are consistent with the prediction and finding that the problems that result in lower satisfaction for low commitment customers loom larger than the gains experienced by higher commitment customers. In contrast, our findings are inconsistent with the

Table VII.

Model results across relationship segments				
Model parameter	Low affective commitment (<i>n</i> = 234)	Medium affective commitment (<i>n</i> = 339)	High affective commitment (<i>n</i> = 116)	Significant change** (from low to high?)
Price → Satisfaction	0.084*	0.064*	0.106*	No
Quality → Satisfaction	0.511	0.570	0.560	No
Emotions → Satisfaction	0.330	0.240	0.192	Yes
Price → Emotions	0.155	0.231	0.370	No
Quality → Emotions	0.493	0.405	0.134*	Yes
Joy → Emotions	0.627	0.788	0.847	Yes
Disappointment → Emotions	-0.601	-0.474	-0.468	Yes
Emotions <i>R</i> ²	0.355	0.309	0.209	-
Satisfaction <i>R</i> ²	0.647	0.577	0.515	-

Notes: * = not significant at $p < 0.05$ based on regression results; ** Significant change ($p < 0.05$) across segments based on interactions in the general linear models

alternative prediction that the stronger attitudes that accompany stronger relationships yield a greater net impact of emotions on customer satisfaction.

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Regression analyses

To replicate the causal model in the three customer segments we ran a sequence of PCR regression analyses. In the first step, customer satisfaction was defined as a function of joy, disappointment, perceived quality and perceived price ($CS = JOY + DIS + PQ + PP$). The results are summarized in Table VIII.

From Table VIII we can see that emotions have an impact on customer satisfaction both in terms of joy and disappointment. The positive side of emotions seems to have stronger effect than the negative side. Across commitment levels, joy has a positive significant effect. However, the effect decreases across levels and have the least effect in high commitment relationships. Disappointment has a negative effect that turns insignificant from medium to high commitment. Consequently disappointment has a stronger effect in low and medium commitment relationships and none in high commitment relationships.

These observations are consistent with our previous findings from the PLS analyses, that supports the prediction that positive emotions have less effect and that "losses loom larger". Perceived price seems to have a significant effect on satisfaction only in the low commitment group, while perceived quality is significant and strong across all groups. Our model explains more of the variance in customer satisfaction in low commitment group than in medium and high commitment groups as the explained variance in customer satisfaction decreases from level to level. This observation may indicate

that medium or highly committed customers have a top down approach to service evaluations while customers with low commitment tend to evaluate the service experience bottom up (e.g. Olsen and Johnson, 2003).

Building on the first regressions we estimated, in our second step, a group level model across segments where commitment is a three level categorical variable representing low, medium and high commitment groups. Now customer satisfaction is a function of joy, disappointment, perceived quality, perceived price and commitment. In addition we test if there is any interaction effect between; joy and commitment, disappointment and commitment, perceived quality and commitment and perceived price and commitment that effect satisfaction. All these variables are therefore entered simultaneously into the equation ($CS = JOY + DIS + PQ + PP + COM + JOY \times COM + DIS \times COM + PQ \times COM + PP \times COM$). These results are summarized in Table IX.

Table VIII.
Regression analysis by commitment level

Regression equation by level	StdBeta		StdBeta		StdBeta	
	Coef. Level 1	Sign.	Coef. Level 2	Sign.	Coef. Level 3	Sign.
Joy → CustSat	0.261	0.000	0.213	0.000	0.164	0.025
Disapp → CustSat	-0.140	0.002	-0.091	0.019	-0.87	0.228
Perceived Price → CustSat	0.085	0.081	0.068	0.108	0.113	0.194
Perceived Quality → CustSat	0.514	0.000	0.561	0.000	0.551	0.000
ΔR^2 CustSat	0.643		0.567		0.493	

Table IX.
Group level model by commitment

Regression equation	StdBeta Coef. By Com	Sign. By Com
Joy → CustSat	0.393	0.000
Disapp → CustSat	-0.135	0.021
Perceived Price → CustSat	0.074	0.280
Perceived Quality → CustSat	0.515	0.000
Com (level) → CustSat	0.135	0.000
Joy * Com/Group → CustSat	-0.190	0.005
Dis * Com/Group → CustSat	0.047	0.415
PQ * Com/Group → CustSat	0.005	0.950
PP * Com/Group → CustSat	0.003	0.963
ΔR^2 CustSat	0.743	

From Table IX we see that only joy, disappointment, perceived quality, commitment and the interaction effect between joy and commitment, have a significant effect on customer satisfaction.

Interestingly, price does not have any effect on satisfaction at all. When commitment level is applied as the grouping variable we explain 74.3 percent of the variance in customer satisfaction.

To explore whether the causal model is the same across commitment levels we applied Baron and Kenny's (1986) method of mediation procedure. We start out with the regression equation where customer satisfaction is a function of joy ($CS = JOY$). We continue with replacing joy with perceived price and perceived quality ($CS = PP + PQ$) and end with including joy in the equation again ($CS = JOY + PP + PQ$). These regression analyses were performed across all levels of commitment. We later substitute joy with disappointment, and run all analyses across commitment levels. At last, we flip-flop customer satisfaction and joy/disappointment, i.e. now joy/disappointment is a function of customer satisfaction, then joy/disappointment is a function of perceived price and perceived quality, etcetera.

From this procedure we learn that joy is a strong and positive driver of customer satisfaction independent of commitment levels. When perceived price and quality are entered together and without other variables present, quality has stronger effect on satisfaction than price across all levels of commitment. Price on the other hand seems to decrease in importance from the low to medium commitment group and increase its importance from medium to high commitment group. When we enter joy into the equation the strength of perceived price and quality drop. This indicates that joy mediates the effects of perceived price and perceived quality on customer satisfaction. This result is consistent across commitment levels. Next, we replaced joy with disappointment in the equation. When disappointment is entered alone in the equation, our results show that disappointment has a negative effect on customer satisfaction across levels of commitment. It is also significant in all instances. When perceived price, perceived quality and disappointment are entered together in the equation, perceived quality is the most important driver of customer satisfaction across all levels of commitment. Disappointment does not seem to be as strong a driver as joy. In the low and medium commitment groups, disappointment is a stronger driver than perceived price, while the opposite is true for the high commitment group. This means that disappointment may not always be mediating the effect of price and quality on satisfaction.

By using customer satisfaction in predicting joy and disappointment we find that customer satisfaction is the stronger driver of joy across all commitment levels or relationship types. It has a positive and significant effect in all instances. Interestingly the relationship between the independent variables are not that clear anymore. When perceived price and perceived quality are the only variables entered, we find that perceived quality is the stronger predictor of joy and the only variable that has stable effects. Perceived price turns insignificant in the low commitment group. When all variables are entered simultaneously, we see that customer satisfaction is the only stable predictor of joy. At the same time perceived price and perceived quality drops in effects and turn insignificant in low and high commitment relationships. Finally, we enter customer satisfaction as a predictor of disappointment. When entered alone in the equation, satisfaction is a negative, significant predictor of disappointment. Its strengths vary to a great extent across commitment levels. An unexpected pattern is found across commitment levels. In fact, in high commitment level relationships perceived price seems to be much stronger than perceived quality in its effects. When all variables are entered in the equation, the effects of perceived price and perceived quality on disappointment fall, this result is consistent across commitment levels, with one exception. In high commitment relationships the effects of perceived quality increase.

In summary, we see that our findings support the PLS results and our causal model.

We find that quality and price are stable drivers of customer satisfaction across different commitment levels. The drivers of emotions on the other hand seem to change as the relationship evolves. Our findings indicate that quality drives emotions in low and medium commitment level groups, while price seem to have an impact on emotions in high commitment relationships. Furthermore, it appears that joy is a stable mediator of the effects of quality and price on customer satisfaction. Disappointment is not a stable mediator across commitment levels. Still, we can conclude that we find support for our causal model both in our PLS and PCR analyses. Finally, for the sake of verifying our decision that segmentation by commitment level is more efficient than by Gutek et al.'s typology, we ran the PCR analyses applying their typology. The results from these analyses supported the pattern we have described above, but seemed somewhat weaker. The correlation matrix for all the variables in the study is provided in Table X.

Discussion

Even branded service organizations face the task of customizing the service experience to particular customer relationships. The goal is to improve customer equity through increased customer satisfaction. Any given service organization's customers vary in the strength of their relationship with the organization, which drive very different perceptions of and emotional responses to the service experience. Based on this general prediction our study examined three specific research questions:

- (1) What is the influence of perceived performance versus emotions on hotel guest satisfaction across customer relationships?
- (2) How does the nature of emotional response (disappointment or joy) vary with the relationship?
- (3) How does the impact of an organization's service quality and prices on emotions vary with the relationship?

Table X.
Correlation matrix for all variables in the study

Variables/correlation coefficient	Satisfaction	Price	Quality	Joy	Disappointment	Affective commitment
Satisfaction	1					
Price	0.603*	1				
Quality	0.815*	0.650*	1			
Joy	0.682*	0.494*	0.604*	1		
Disappointment	-0.463*	-0.421*	-0.431*	-0.339*	1	
Affective commitment	0.679*	0.471*	0.591*	0.655*	-0.341*	1
	0.000	0.000	0.000	0.000	0.000	

Note: * Correlation is significant at 0.01 level (two-tailed)

To investigate these questions we applied two different segmentation methods. One conceptual based on Gutek et al.'s work and one data driven. The latter one turned out to be more efficient in which we segmented a hotel chain's customers into three different relationship segments based on the customers' affective commitment to the hotel.

Overall our results paint an interesting picture of the cognitive and emotional responses of different relationship segments. The weaker the relationship segment, the more disappointed, emotional and less satisfied the customer, where service quality problems are the culprit. The stronger the relationship segment, the more joyful, satisfied and less emotional the customer, where price is an increasing source of joy.

At least in the context of our study and sample, the results suggest that service quality is the source of customer disappointment while money can buy happiness.

Theoretically the results support the notion that the valence of the emotions, disappointment versus joy, is more important toward predicting emotional impact than is the strength of the personal relationship one has to the hotel. While at odds with satisfaction theory (Oliver, 1997), one possible explanation for our results is that we study a service domain that is somewhat weaker in relationship strength than other contexts, such as business-to-business relationships (Heide, 1994). Even though we identified three distinct relationship segments, our emotions-valence argument is likely stronger in weak-to-moderate relationship contexts. Consider that relatively few customers ever develop a true symbiotic partnership with a hotel chain. More likely we are capturing varying levels of acquaintances and friends. In contrast, the attitude-theory prediction may become more viable when relationships and attitudes are much stronger. Across a broader spectrum of relationship levels, it may be the case that customer satisfaction becomes less emotional (from disappointingly weak relationships to comfortable friendships) before becoming more emotional (from friendships to true partnerships).

Another implication of our findings for relationship research is that buyer-seller relations indeed have a social value of their own. That joy is a key driver of emotions and emotions is a key driver of satisfaction supports this. Borrowing from the customer equity literature, this suggests that firms with a large portion of committed customers possess not only high value equity but also high retention equity (Rust et al., 2004). For CRM researchers this finding confirms the impact of the one-to-one paradigm through a personalized service offer (Rust and Verhoef, 2005).

From an applied perspective the results provide service managers and employees with the means to develop more effective product-service-price offerings for customers with whom they have very different relationships. Dowling (2002) argues that the best relationship strategy is not to have relationships. He argues that often the key to success (i.e. customer satisfaction and retention) is to maximize the moment of truth every time – something that would make sense for service encounter and pseudo relationship customers. Our results show how customer satisfaction drivers vary systematically with the relationship largely through their effects on emotions. Specifically, the results suggest that hotel employees serving lower affective commitment customers (such as the infrequent visitor in our introduction) should failsafe their service delivery processes to eliminate things-gone-wrong or improve the “moments of truth”. Our findings show that too many (hotel) interactions with these customers result in significant disappointment (i.e. they fail to meet customers' expectations), which results in customer dissatisfaction and negative emotions. As dissatisfied customers typically do not complain, such information is often missing from an organization's customer information systems (Dutka, 1994).

In contrast, customers who are more affectively committed to the organization value the relationship they have with the hotel. This commitment is marked a significant decrease in quality-based disappointment and an increase in price-based joy. In order to keep the customers experience positive and their patronage strong, it is important to actively manage the relationships by remembering the customer's name and socializing to some degree. This often requires maintaining one's best employees or making sure that a team of employees helps manage the relationship (Bendapudi and Leone, 2002). One implication is that service managers offering a service that attracts more acquaintances than friends or partners can accept a higher personnel turnover, as long as new employees can be trained to deliver consistent and error-free service. That is, the social value of the relationship is less of an issue.

That our findings reveal a predominance of quality-driven rather than price-driven satisfaction should be a wake up call for managers who believe that price is the most important value driver in the service marketing mix. Too many campaigns and loyalty programs are based on this misconception. Rather, managers should recognize that each relationship segment has its own optimal mix of price and quality or value proposition. By adapting the value proposition to specific relationship segments, both the perceptions and emotional responses that drive customer satisfaction can indeed be managed.

Finally, our study illustrates the value of a fundamentally new approach to market segmentation. Hotel customers are typically segmented by type (business, conference, or holiday/leisure) or by frequency of use (light, medium and heavy users). Rather, our results illustrate the importance of segmenting markets by relationship strength, and specifically affective commitment. If employees can be trained to identify affectively committed or uncommitted customers and adapt the service experience accordingly, then the service can indeed be adapted to a heterogeneous customer base.

One limitation of our research is that our sample is predominantly male, which is simply due to the fact that more men than women traveled to the hotels. As the satisfaction and loyalty of men and women is very different (Bryant and Cha, 1996), this naturally limits the generalizability of our findings. But we do not think it limits the generalizability of our segmentation method. Rather, we think it would perform even better in samples where women are represented on a more equal basis. Research supports our argument as results show that female customers systematically report higher scores on satisfaction than male customers across industries (e.g. Bryant and Cha, 1996). According to Carlson (1971), they are also more emotional in their evaluations of service encounters than males and the relationship between evaluation of service encounter and loyalty intentions is stronger for female than male customers (Darley et al., 2008). As such, affective commitment should be a very relevant criteria when female customers are represented in the customer base. Having demonstrated the efficiency of this segmentation method in the hotel industry, which may be considered less relationship oriented, indicates an increased efficiency when applied to more relationship oriented industries. Still, as any company today has to manage its customer base in order to optimize customer lifetime value, we think our method is applicable in most industries.

It is also important to explicitly compare our segmentation method with traditional segmentation methods. Conducting a comparative study with alternative segmentation schemes as a moderator would provide insight into both the advantages and disadvantages of our approach and how the segmentation schemes relate to each other. This would provide concrete knowledge for hotel managers striving to improve the satisfaction of their various customer groups.

Note

1. These criteria are: direction of causality from construct to measure implied by the conceptual definition; interchangeability of the indicators/items; covariation among the indicators, and nomological network of the construct indicators.

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