

## Key Determinants of Customer Success

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### Abstract

Customer success, not customer satisfaction, is suggested to be the key variable to enhance long-term business relationship with customers. A model of customer success is derived from the philosophy-structure-behavior-performance paradigm. Value sharing and information sharing are proved to be critical to increase the supplier's behavioral orientation for customer success from the empirical analysis.

### 1. Research Background

Global economic order is under rapid process of restructuring in major industries.

Consumers in Internet environment are in search of better alternatives than ever before. Having experienced substantial changes in their purchasing power, consumers have shifted their values in evaluating their choice criteria. Just as Ford had failed to reflect changes of customer values from economy to comfort, many suppliers also failed to identify changes in customer values while going thorough the restructuring process. Suppliers should redesign their value delivery system to meet the more demanding customers in the age of global competition and slow-

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growth economies.

Customers are also competing with each other for better consumption or industrial purchase.

Customer failures in industrial market also resulted in a series of disintegration of former business networks. The survival and growth of suppliers depend on the success of customers in their demand chain. Recent studies argued that customer satisfaction, a dimension of post-purchase attitude change, could not be a reliable indicator of customer loyalty especially in the industrial market.

- Forum Corporation reports that up to 40 percent of the customers in its study who claimed to be satisfied switched suppliers without hesitation (Stum and Thiry 1991).

- Harvard Business Review reports that between 65 and 85 percent of customers who chose a new supplier say they were satisfied or very satisfied with their former supplier (Reichheld 1996).

- The same misfortune befell Pohang Iron & Steel Co.. Its annual customer survey in 1998 showed a 6.7% enhancement in the customer satisfaction index, despite increasing bankruptcy rates.

Also criticism of customer satisfaction has recently risen to the surface (Reichheld 1996; Amidon 1997; Choi 1998). Customer satisfaction has caused customers' level of expectation to rise too rapidly and has resulted in a sharp increase in service costs. Also, it has shown little impact on customer firms' competitiveness.

Various marketing efforts to satisfy customer needs were not always efficient in enhancing a rewarding relationship with customers. Customers are not always right. Different customers in the same industry pursue different goals. If customer businesses fail, suppliers will eventually fade out of the market. The survival and growth of suppliers entirely depends upon the success of their customers.

In this study, we try to define the customer success, develop the measure of customer success, and empirically investigate

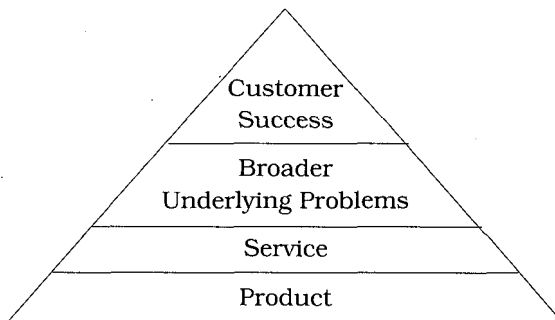
how shared value and quality of information sharing influence customer success at a dyadic level in the industrial market.

## 2. What is Customer Success?

Customer success is a concept coined by Amidon (1997). She cited the importance of the customer as a valuable source of knowledge and stated that companies can be winners by helping their customers achieve success. A supplier's success is a function of the success of its customer. She defined customer success as "a favorable result or outcome, realized goals; gains in wealth, fame and rank". Interviewing with marketing and purchasing personnel at Pohang Iron & Steel Co. and its industrial customers, we came to realize that to increase customer success is to reinforce customer competitiveness. We define customer success as follows; "Customer success means that as the result of the relationship with the supplier, client firms increase their competitiveness, achieve intended goals, overcome growth limits, or improve management performance."

### (a) Focusing on Customer Value

Customer-intimate firms know that their customers have a hierarchy of needs beyond their requirement for a product (Figure 1). They personalize basic service and even customize products to meet unique customer needs. They often have the expertise to change the way a customer manages the underlying



**Figure 1. The Customers' Hierarchy of Needs**

Source: Treacy and Wiersema (1995)

problem (Treacy and Wiersema 1995). They are also called market-oriented businesses committing to the creation of superior customer value (Slater and Narver 1994).

(b) *Breaking Through the Customers' Growth Limits*

A customer-intimate company makes a fundamental switch from selling undifferentiated products to helping customers solve problems. It learns what the customers were doing that it might do better and less expensively, which is to break through the customers' limits.

(c) *Improving Customers' Performance*

With the right mandate and the right support, a customer-intimate company can make its customers a better business. Competitive advantages in cost and cycle time reduction, delivery speed, new product development time, and access to product and process technology and a new market will be a good measure of performance.

According to Fitzgerald (1998), a superior supplier should 1) work very closely with customers to raise performance levels, contain costs, and develop leading-edge technologies, 2) share data, resources, and people to overcome obstacles that stand in the way of mutually agreed-upon goals, 3) identify aspects of the buyer's operations that can be improved, 4) respond quickly to problems and emergencies.

### **3. Customer Success vs. Customer Satisfaction**

The goal of customer satisfaction is to be sure to exceed the customer expectation, where as that of customer success is to be sure whether our customers get most of our product. A supplier's success is generated on the basis of its customers' success. The supplier should determine the key success factors for its customers from a long-term perspective. It should ask itself how its customers utilize its products and services. Detecting the real problems of customers is critical to defining the role and mission of suppliers to guide customer success.

**Table 1. Satisfaction vs. Success**

	Satisfaction	Success
Strategic Questions	How to meet the expectation on the part of our customers?	How to help our customer succeed in their business?
Philosophy	Customer is always right. The Customer is King.	Our success is a function of the success of our customer. Long-term relationship by value creation.
Transactional Situation	Stable and straight re-buy situation	Turbulent and new-task buy situation
Market Offering	Improve Service Quality, Management of BS and AS	Tailoring, Coaching, and Partnering The whole scope of demand chain management
Outcome	Attitude change Repeat purchase Word of mouth	Mutual growth Increased Life time value of customer

#### 4. A New Relationship Marketing Community for Customer Success

Lim, Cho and Park (1997) suggested that a Relationship Marketing Community composed of heterogeneous organizations sharing goals would be efficient to provide customers with competitiveness; components that lead to customer success are so diverse and complex that customer success is hard to achieve by one supplier. They also stated that innovation in information technology helped make Relationship Marketing Community. In the age of the network economy, relationship merits are another source of sustainable competitive advantage in addition to scale and scope merits (Lim 1992). The success stories of Silicon Valley are good evidence of relationship merits enjoyed by the participants in the industry community (Saxenian 1994).

## 5. Supplier's Customer Success Orientation

Customer orientation is to put customers at the center of strategic focus (McGee and Spiro 1988). Narver and Slater (1990) suggest that customer orientation is one of the behavioral components of market orientation. We propose that customer success orientation is the behavioral aspect of putting customer success at the center of strategic focus. Wiersema (1996) called this "customer intimacy", which does not mean to increase customer satisfaction but to take responsibility for customer results. It does not mean doing the customer a favor but exchanging useful information and cooperating each other to get a better result.

Customer success orientation consists of three dimensions.

*Tailoring.* Tailoring is to detect the customer's real problems and provide a relevant solution to them (Wiersema, 1996). It is not to respond to customer's short-term needs and wants, but to give a tailor-made solution to the customer.

*Coaching.* Coaching is to change customer's behavior, thus inducing better results for the customer. There are three ways to coach (Wiersema 1996). First, coaching is to solve problems of underutilized products or of an unsatisfied market. Second, it is to instruct the customer to change the pattern of using products and services. The value of products and services offered is greatly enhanced by showing various usage scenarios. Third, it is to provide new business opportunities to the customer. Pohang Iron & Steel Co. helped its customer, Korea Stainless Steel Co., reshape its customer structure from small companies with high bankruptcy rates to industrial giant Hyundai Motors by leading it to change its production system of 300-type products suitable for 400-type products. With this support, the company stabilized demand, decreased unpaid revenues, and tapped into new market such as America. Similarly, Komatsu, a leading manufacturer of construction equipment, is well known for its RUP (Recommendation for User Profit) program.

*Partnering.* Partnering is the phase in which the supplier pursues common goals with the customer as a partner, sharing benefits and burdens. GE Plastics developed innovative

automobile doors that modularized 60 components into one through its partnership with Delphi-I, one of suppliers to GM (Wiersema 1996). Partnering can be sustained and developed into long-term relationship only when partnering rewards both supplier and customer.

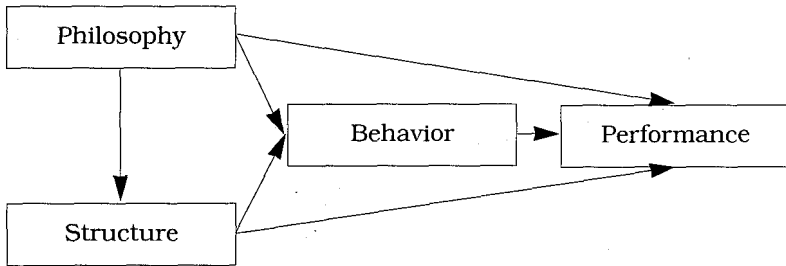
However, in an industrial market it is hardly possible that the supplier is either intimate with or success-oriented toward all customers. We hypothesize that a supplier's customer success orientation has a great impact on customer success, given the characteristics of the industrial market. It is because buyers are required to keep up continuous interaction with supplier regarding quality improvement, cost reduction, new product development, and opening of new markets and the higher the technology of products, more interaction will take place.

## **6. Development of Hypotheses**

SCP (Structure-Conduct-Performance) paradigm originated from industrial organization theory and its researchers are classified as structuralist and behaviorist based on their research focus. Research results that clarify causal relationships between structure, conduct and performance have been suggested (Keeley & Roure 1990; Boyle & Dwyer 1995). We establish a model of performance shown in Figure 2 that explains the supplier-customer relationship in an industrial market.

### **6.1 Shared Values as Philosophy**

Philosophy of participants within business network is reflected in their goals, vision, mission and values, which are regarded as driving forces of network structure, behavior, and performance. Achrol, Scheer & Stern (1990) stated that organizational compatibility, goal compatibility, partner commitment, and trust are crucial to the formation of a successful transorganizational strategic alliance. Also, they proposed that organizational compatibility be constructed of such factors as shared norms, beliefs, expectations, values, and philosophy.



**Figure 2. PSBP Paradigm in Business Networks**

Shared value is defined as the extent to which partners have beliefs in common about what behaviors, goals, and policies are important or unimportant, appropriate or inappropriate, and right or wrong (Morgan & Hunt 1994). Shared values are norms between partners in that norms are defined as “expected patterns of behavior” (Lipset 1975) or as shared expectations regarding behavior (Macneil 1980; Gundlach, Achrol, & Mentzer 1995). Shared values as “the belief in common between partners” are very important in that they bring about increased organizational capability and effectiveness (McDonald & Gandz 1992).

In past marketing literature, shared value as one critical dimension of corporate culture has been recognized as an antecedent that is highly influential in directing the actions of individuals in organizations (Rokeach 1968, 1973; Yankelovich 1971, 1981; Hunt, Wood, & Chonko 1989) and the nature of relationships between organizations (Morgan & Hunt 1994). For individuals in organizations & organizations in themselves, shared values have a positive impact on the performance of organizations by serving to convey a sense of identity to their members, enhance the stability of their social system, and facilitate commitment to something larger than selves (Morgan & Hunt 1994).

H1: Shared values between supplier and customer will increase the supplier’s customer success orientation.

H2: Shared values between supplier and customer is related positively to customer success.



### 6.2 Quality of Shared Information as Structure

The relationships among business participants are critical elements to explain major characteristics of structure in a marketing community. Relationship structure may be managed by capital ownership, contracts, exchange of key personnel, and information sharing. Capital ownership is an efficient way of controlling others to maximize the interests of the owners. A contract is not flexible enough to reflect dynamic environments. The role of key personnel is limited in interorganizational coordination. If participants share vital information, the behaviors of participants can easily be coordinated to maximize their common goals. Therefore structure in Figure 2 is measured in terms of information sharing in Figure 3. John and Reve (1982) identified formalization and centralization as “key structural features of an interorganizational relationship”. Informational Relationship along with EDI is a new type of interorganizational structure. The work of Ellram (1995) indicated that two-way information sharing between partners is the key factor in establishing and maintaining a successful

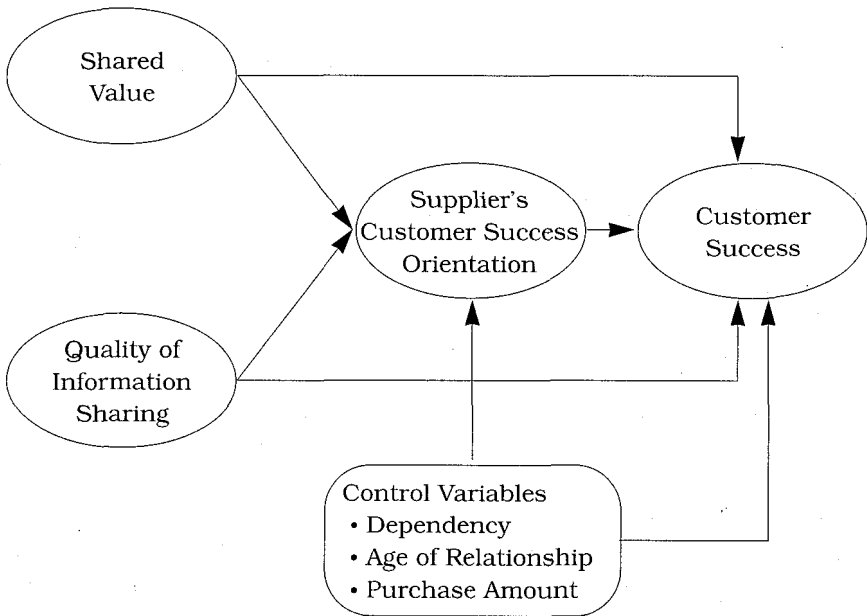


Figure 3. Model of Customer Success

partnership. Channel partnerships are based on exchange of information and just-in-time communication technologies, which help lower costs and improve service to the customer (Buzzell and Ortmeyer 1995).

Amidon (1997) proposed that knowledge which can be gained only through concentrated collaboration with the customer is a core concept for customer success. An IT-based knowledge-web can be used by smart desk personnel to help customers locate internal experts to answer often highly technical questions, which would leads the customer to success (Kirchner, 1997).

We propose that quality of information sharing is a more predictive factor of customer success than quantity of information sharing.

H3: Quality of shared information between supplier and customer will increase supplier's customer success orientation.

H4: Quality of shared information between supplier and customer will lead to customer success.

### **6.3 Supplier's Customer Success Orientation as Behavior**

Customer interaction is fundamental to the formulation of business strategy. Customer knowledge is instrumental in the development of new products and services to meet the potential market demand. For example, several high-technology companies (i.e., Digital Equipment, IBM, AT&T) established very sophisticated user societies as a way to understand the real needs of customers and project what future enhancements would help lead the industry. These collaborative interactions with customer may represent shared risk, networked learning, and symbiosis as a way of creating more together than they ever could have envisioned separately (Amidon 1997).

Results of a recent survey indicate that sophisticated purchasers now seek suppliers that not only can meet standard performance criteria, but also will work very closely with customers to raise performance levels, contain costs, and develop leading-edge technologies (Fitzgerald 1998). Top-level suppliers have the ability to function as an extension of the customer's facility, which means listening, being proactive, and

having a knowledgeable sales, production, and research and development staff that can work as a team toward strengthening both positions in the marketplace (Fitzgerald 1998).

H5: Supplier's Customer Success Orientation will lead to Customer Success.

## **7. Method**

### **7.1 Data Collection**

A total of 200 domestic customers of Pohang Iron & Steel Co. were randomly selected for inclusion in the study. A key informant methodology was utilized for generating the questionnaire data. Key informants should meet the criterion of being knowledgeable about the phenomenon under study (Campbell 1955). A total of 99 customers responded to the first survey (response rate 49.5%). Week later, an additional 41 customers responded to the survey (response rate 70%). No respondents were eliminated, resulting in a final sample of 140.

### **7.2 Development of Measures**

Using a structured questionnaire, we measured the four basic constructs of Figure 2-shared value, quality of information sharing, supplier's customer success orientation, and customer success. To ensure the content validity of the measures, a thorough review of the relevant academic and practitioner literature, as well as of extensive practitioner pretesting, was undertaken. All constructs included in this research were measured using multi-item scales. The response categories for each scale were anchored by 1 (Strongly disagree) and 7 (Strongly agree). A scale validation procedure was accomplished using the analysis of item intercorrelation, the analysis of item-total correlations, and exploratory factor analysis. Item analysis and assessment of unidimensionality were accomplished by exploratory factor analysis. Items showing high factor loadings (greater than .6) and those not loading on multiple factors were retained. The purpose of this stage of the analysis was to identify

and eliminate poorly performing items for the reflective measures. All the measures used in this research are reported in Appendix 1, as well as the means, standard deviations, and Cronbach's alpha for the measures. The correlation matrix for the measures is indicated in Table 2.

*Shared Value.* The previous literature review has suggested that the dimensions consisting of relationship norms are flexibility, mutuality, solidarity, role integrity, harmonization of conflict, shared problem solving, and restraint in use of power (Macneil 1980, Heide and John 1992, Kaufmann and Stern 1988, Noordewier 1986, Heide and Miner 1992, Gundlach et al. 1995, Achrol 1997). In this study, we measured shared value from the perspective of both as culture and relationship norms. Items regarding shared value as culture were generated on the basis of Morgan and Hunt (1994) and items regarding shared value as relationship norms were based on Heide & John (1992) and Achrol (1997). Shared value was measured by 6-items assessing shared corporate goals, shared corporate culture, flexibility, solidarity, mutuality, and harmonization of conflict. Two items were dropped to increase internal consistency among items and to enhance discriminant validity of the four constructs. The 4-item scale of shared value exhibits high reliability ( $\alpha = .83$ ). We report all measures used for this study and key summary statistics in Appendix 1.

*Quality of Information Sharing.* Berry and Parasuraman (1997) suggested the criteria rating information quality are relevance, precision, usefulness, context, credibility, understandability, and timeliness of information. A literature survey provides other important dimensions- visibility, sufficiency, positioning, information content (Forza 1995, Lim 1998), and scope (Valovic 1994, 1995) - of the quality of information sharing in addition to the above criteria. We operationalized the construct of quality of information sharing into 3-items- relevance, reliability, and sufficiency of information - based on literature review and interviews with marketing and purchasing personnel. This measure of quality of information sharing exhibited good reliability, with a Cronbach alpha of .83.

*Supplier's Customer Success Orientation.* To measure a supplier's customer success orientation, we developed new scales for this construct. Items were generated on the basis of extensive qualitative personal interviewing, a detailed survey of available literature (including the work of Kohli and Jaworski 1990, Narver and Slater 1990, and Deshpande, Farley, and Webster Jr. 1993), and pretesting in a small sample of firms. We developed a 5-item scale adapted from Nwankwo (1995) and Deshpande, Farley, and Webster Jr. (1993). Customer success orientation as one of the behavioral components of market orientation (Narver and Slater 1990) was measured three dimensions- tailoring, coaching, and partnering (Wiersema 1996). The measure used in previous studies such as Nwankwo (1995) was focused on suppliers' assessments of their own company's customer orientation. To avoid biased responses, we modified our measure to assess supplier's customer success orientation by buyer. Five-item scales were developed but only 4-item scales were used in the final analysis. Supplier's customer success orientation has a high reliability ( $\alpha = .89$ ).

*Customer Success.* Because customer success is a recently coined concept, there has been little empirical research about this construct. A measure of customer success was developed to accommodate the industrial buyer-supplier context of this research. Items were generated using in-depth interviews with marketing and purchasing personnel. We used 8-item scales to capture the relevant facets of customer success. Of the measure of customer success consisting of cost competitiveness, quality competitiveness, problem-solving capability, technology leadership, development of new products, creation of new market, and market dominance, two-items were dropped in the last stage of analysis. This measure shows the highest reliability ( $\alpha = .91$ ) of the four measured constructs.

*Control Variables.* A percentage of volume accounted for by the supplier is used as the measure of buyer's dependence on this supplier. Buyers were asked, "What percentage of volume in these resources is accounted for by this supplier? (Ganesan 1994)" Purchase amount is based on a single question on the total amount of money paid to this supplier each year. Age of

relationship was measured using a single item that asked how long the buying firm had been in contact with the supplying firm (Doney and Cannon 1997).

## **8. Measures Evaluation and Validation**

### **8.1 Reliability**

Because each of the variables was measured in terms of multi-item scales, the reliability and unidimensionality of each scale needed to be examined. The unidimensional nature of the scales of the four constructs was examined through principal components analysis. The percentages of explained variance for a single-factor solution were 66.8%, 75.1%, 75.3%, and 69.0% for shared value scales, quality of shared information scales, supplier's customer success orientation scales, and customer success scales. These results provided support for their unidimensionality. The coefficients for each scale are presented in Appendix 1. The Cronbach alpha for each construct is greater than .830. This evidence of reliability clearly indicates that the items included in the scales that measure the four constructs are all related to their four distinct constructs.

### **8.2 Validity**

Content validity assesses whether the substance of the items included in the instrument tap the construct that is being measured. It also indicates whether the scale items are representative of the content area (Kumar et al. 1998). We constructed the measure used in this study on the basis of a rigorous review of previous research in both academic and practitioner literature. We also conducted over 40 unstructured interviews with marketing and purchasing personnel. They were asked to comment on the clarity of items and their relevance to the industry. These efforts aided in the development of measures which clearly represented the domain of the four constructs. Pretests and a formal pilot launch of the questionnaire were appropriate and worded properly. The content validity of each measure appeared strong.

We examined the convergent validity of shared value and quality of information sharing by employing item-total correlations. They were seen to correlate positively. In demonstrating the convergent validity of supplier's customer success orientation and customer success, we used multiple items to single item correlations. In this case, they are positively correlated.

We employed a principal component factor analysis with varimax rotation to examine the discriminant validity of four constructs. We extracted four factors which had eigenvalues of 1.0 and above. These four factors accounted for 72.3 percent of the variance of raw data matrix. Results of the factor analysis are shown in Appendix 2. The four factors which had eigenvalues greater than 1.0 are easily identifiable in terms of the constructs discussed earlier. We also assessed discriminant validity by comparing the correlation between any scale and another with its alpha coefficient. That alpha coefficients were higher than correlations in all cases provides the discriminant validity of four constructs.

## **9. Analysis and Results**

For hypothesis testing, all constructs were formed by averaging the responses to each item in a particular scale. Table 2 reports the pairwise zero-order correlations between the constructs of interest. All hypotheses were tested with multiple regression procedures, with results shown in Table 3. Multicollinearity does not appear to jeopardize the stability of the parameters with condition indices below the limit of 30 (Besley, Kuh and Welch 1980). The supplier's customer success orientation model is significant ( $F=17.014$ ,  $p<0.001$ ), as is the customer success model ( $F=18.180$ ,  $p<0.001$ ).

None of the control variables is significantly related to the outcome variables. Purchase amount and age of relationship were expected to relate positively to customer success orientation but were not supported, and their inclusion did not affect the sign or magnitude of any other coefficients.

**Table 2. Means, Standard Deviations, and Correlations**

	Shared Value <sup>1</sup>	Quality of Information Sharing <sup>1</sup>	Supplier's Customer Success Orientation <sup>1</sup>	Customer Success <sup>1</sup>	Dependency <sup>2</sup>	Purchase Amount <sup>3</sup>	Age of Relationship <sup>4</sup>
Correlations							
Quality of Information Sharing <sup>1</sup>	.494**						
Supplier's Customer Success Orientation <sup>1</sup>	.541**	.597**					
Customer Success <sup>1</sup>	.569**	.596**	.654**				
Dependency <sup>2</sup>	.015	-.021	-.021	-.084			
Purchase Amount <sup>3</sup>	.081	-.186*	.009	.042	.291**		
Age of Relationship <sup>4</sup>	.045	.046	.014	.021	-.115	-.049	
Means	5.456	5.306	5.239	5.1884	79.408	7.011	18.586
Standard Deviations	.863	.937	.992	.927	26.423	1.865	19.466

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

<sup>1</sup>These variables are measured by mean of all items.

<sup>2</sup>Dependency is measured by percentage.

<sup>3</sup>Purchase Amount is measured by natural log of real purchase amount.

<sup>4</sup>Age of Relationship is measured by 1999 minus starting year of transactions.

### 9.1 Factors Affecting Supplier's Customer Success Orientation

As proposed H1, shared values between supplier and customer have a strong positive relationship with supplier's customer success orientation ( $b_{11}=.418$ ,  $p<0.01$ ).

Support is provided for the hypothesized (H3) positive relationship between quality of shared information and the supplier's customer success orientation ( $b_{21}=.386$ ,  $p<0.01$ ).



**Table 3. Regression Results**

Independent Variables	Dependent Variables	
	(1) Supplier's Customer Success Orientation	(2) Customer Success
B.		
Shared Value	.418** (.098)	.234* (.098)
Quality of Information Sharing	.386** (.090)	.217* (.088)
Dependency	-.034 (.003)	-.087 (.002)
Purchase Amount	.003 (.043)	.113 (.038)
Age of Relationship	-.059 (.003)	.010 (.003)
Supplier's Customer Success Orientation	-	.393** (.091)
R-Square	.467	.532
Adjusted R-Square	.440	.503
F-Test (dfn, dfd)	17.014** (5, 97)	18.180** (6, 96)

Regression coefficients are standardized coefficients.

Standard Errors in Parentheses.

\*\*  $p < 0.01$ , 1-tailed test.

\*  $p < 0.05$ , 1-tailed test.

## 9.2 Factors Affecting Customer Success

The hypothesized (H2) positive relationship between shared values and customer success is supported ( $b_{12}=.234$ ,  $p<0.05$ ). The hypothesis that quality of shared information between supplier and customer will lead to customer success (H4) is supported ( $b_{22}=.217$ ,  $p<0.05$ ). Support is also provided for the hypothesized (H5) positive relationship between the supplier's customer success orientation and customer success ( $b_{62}=.393$ ,  $p<0.01$ ).

The following three conditions must hold to support the mediating effect of a construct (Kenny 1998, Baron and Kenny

1986).

a) The independent variable must have a significant association with the dependent variable

b) The independent variable must have a significant association with the mediator.

c) When both the independent variable and the mediator variable are included as predictors, the mediator must have a significant effect on the dependent variable.

Our results satisfy all of the conditions so complete mediation is supported, which suggests both direct and indirect effects of shared values and quality of shared information on customer success.

## 10. Discussion

The central theme of this article is that customer success as a performance of the supplier-customer relationship is positively dependent on the supplier's customer orientation, shared values, and the quality of shared information. The results of our empirical study reinforce the themes. According to our post hoc analysis, face-to-face contact as well as communication based on information technology like Internet VAN or EDI increases the quality of shared information. One study supporting this result is Dyer and Ouchi (1993) which stated that direct contact is much more important than other forms of contact in developing ways for employees to know and trust each other. For example, Japanese auto manufacturers place a high value on face-to-face communication with their suppliers. Direct interaction is a more efficient way to communicate complex, dynamic information during the development of new vehicle models. The result of this emphasis on communication is greater efficiency, faster product-development cycles, and more reliable products (Dyer 1994).

Control variables are retained although none of them is significant. We postulate that dependency, age of relationship and purchase amount will be positively or negatively related to supplier's customer success orientation. The lack of significant results for the control variables may be explained as follows. First, operationalizations of interdependence asymmetry and magnitude required a measure of channel member dependence

(Gundlach & Cadotte 1994). The dependency measure used in this study did not account for asymmetry and operationalized magnitude in a single-item, because our data were collected from the customer side rather than both sides of the dyad. Second, age of relationship is measured only among existing customers, which results in censored data and did not count in defected customers. Lusch & Brown (1996) also found similar results in that the mere existence of a long-term relationship does not have any significant effect on contracting and relational behavior, nor does it influence long-term orientation. Third, purchase amount, which can be another measure of dependence magnitude, is not positively correlated to the supplier's customer success orientation, because in the industrial market, major customers are often competitive enough in technology and marketing to need any support from their suppliers.

### **10.1 Implications for Suppliers**

The success of a supplier comes out of customer success and moreover the competitiveness of final products in industrial market is a function of joint competitiveness of supplier and customer, which indicates that customer satisfaction activities widely deployed by suppliers may not be sufficient for customer competitiveness. This study argues that customer success can be an alternative to customer satisfaction and suppliers should build up shared value and quality of information sharing with their customers to lead customers to success. As previously noted, quality of information sharing is a construct of relevance, reliability, and sufficiency of information, which requires face-to-face contact as well as Information Technology like EDI or Internet VAN as a communication system or a structure. Mill Representatives of Pohang Iron & Steel Co. are comprised of hundreds of engineers and salespersons who visit their customers periodically and share high quality information with customers providing a variety of technical support as well as responding to their claims. Suppliers in the industrial market should focus on customer firm's customer by continuous interaction with their buyers.

## 10.2 Implications for Customers

We suggest that the supplier's customer success orientation be a key success factor for the industrial customer. The results indicate that neither purchase amount nor duration of relationship affects the supplier's customer success orientation, but shared values and quality of information sharing on the other hand, can be effective. Because of this, customers should regard suppliers not as transaction partners but as relationship partners. After all, the quality of final products for the buyer's customer comes from joint competitiveness of the supplier-customer relationship. For this reason, the supplier's customer success orientation may be more important in the high-technology market to assure customer success.

## 10.3 Limitations & Directions for Future Research

The results and the implications of the study are somewhat constrained by the research method employed. The model, based on the customer's perspective, was not examined for both sides of the dyad and also the cross-sectional design limits the ability to rule out alternative causal inferences. Common variables in relationship marketing research like trust and commitment are excluded from the model, but we did not find any evidence to indicate that trust or commitment is significantly related to supplier's customer success orientation. Trust may be a significant control variable. It may also be an antecedent of quality of shared information because when both sides trust each other, they are able to share confidential information, to invest in understanding each other's business, and to customize their information systems or dedicate people and resources to serve each other better (Kumar 1996). Another limitation of the study is the neglect of product characteristics. Data were collected from customers in the steel industry, so homogeneity of product characteristics was assumed. But, from the buyer's perspective, there are greater uncertainty and higher switching costs in the high-technology market (Heide & Weiss 1995). Excluding customer loyalty as a consequence of customer success may limit this study. Our departure point was the

statement that "Our success is a function of the success of our customer". We excluded customer loyalty because it is not always necessary for a successful customer to be loyal especially when it cannot expect additional success from existing suppliers. Nevertheless, it is more likely for customers to be loyal when there is higher supplier's customer success orientation. This is another area of potential study. Finally, this study sheds light on the role of shared values, quality of shared information and the supplier's customer success orientation at a dyadic level. Additional research also might be devoted to finding factors for customer success at the network level or in a Relationship Marketing Community. Previous research shows that the higher the information sharing, the closer the relationship to an electronic market than to an electronic hierarchy (Bakos 1991; Malone, Yates and Benjamin 1987; Clemens and Row 1992). Also, in a RMC paradigm (Lim, Cho and Park 1997), new variables like multiplexity and interaction may be significantly correlated to customer success.

### Appendix 1. Measures and Key Summary Statistics for Customer Success and its Independent Variables

Scale Name (Scale Mean and Standard Deviation) and Individual Items	Factor Loading
Shared Value (5.46; .86): 1 factor extracted	
We expect this supplier to be able to make adjustments in the ongoing relationship to cope with changing circumstances.	.857
We have a continuous exchange of corporate goals with this supplier.	.848
We have compatible corporate culture with this supplier.	.846
We believe that this supplier puts an emphasis on cooperation with us to solve difficulties.	.709
Eigenvalue	2.671
% variance explained	66.8%
Cronbach alpha	.833
Quality of Information Sharing (5.31; .94): 1 factor extracted	
This supplier provides relevant information to us.	.905
This supplier provides sufficient information to us.	.900
This supplier provides reliable information to us.	.790
Eigenvalue	2.252
% variance explained	75.1%
Cronbach alpha	.831
Supplier's Customer Success Orientation (5.24; .99): 1 factor extracted	
This supplier is committed to improvements that can better meet our requirements.	.908
This supplier frequently provides counseling, suggestion, and advice relevant to our business activities.	.905
This supplier always respects our position in transactions.	.877
This supplier provides tailored goods and service that we require.	.773
Eigenvalue	3.011
% variance explained	75.3%
Cronbach alpha	.890
Customer Success (5.19; .93): 1 factor extracted	
We have increased technology leadership with the help of this supplier.	.887
We have developed new products with the help of this supplier.	.874
We have opened up new markets with the help of this supplier.	.838
We have added more value to present goods and services with the help of this supplier.	.834
We have enhanced problem-solving capability with the help of this supplier.	.777
We have enhanced quality competitiveness with the help of this supplier.	.766
Eigenvalue	4.140
% variance explained	69.0%
Cronbach alpha	.909

<sup>1</sup>All scale are 7-point scales, with strongly disagree (1) and strongly agree (7) as the anchors, unless noted otherwise.

**Appendix 2. Factor Analysis of Measurement Items**

Factor Analysis of Shared Value (SV), Quality of Information Sharing (QIS), Supplier's Customer Success Orientation (SCSO), and Customer Success (CS).				
Items	CS	SCSO	SV	QIS
1. We have increased technology leadership with the help of this supplier.	.871	.166	.150	.155
2. We have developed new products with the help of this supplier.	.816	.308	.161	.112
3. We have opened up new markets with the help of this supplier.	.736	.320	.200	.195
4. We have added more value to present goods and services with the help of this supplier.	.729	.230	.170	.327
5. We have enhanced quality competitiveness with the help of this supplier.	.690	.151	.261	.166
6. We have enhanced problem-solving capability with the help of this supplier.	.548	.285	.374	.368
7. This supplier always respects our position in transactions.	.210	.789	.189	.247
8. This supplier frequently provides counseling, suggestion, and advice relevant to our business activities.	.332	.781	.263	.148
9. This supplier is committed to improvements that can better meet our requirements.	.204	.777	.254	.382
10. This supplier provides tailored goods and service that we require.	.333	.666	.144	.118
11. We have compatible corporate culture with this supplier.	.144	.229	.793	.125
12. We believe that this supplier puts an emphasis on cooperation with us to solve difficulties.	.124	.054	.747	.163
13. We expect this supplier to be able to make adjustments in the ongoing relationship to cope with changing circumstances.	.325	.192	.745	.163
14. We have a continuous exchange of corporate goals with this supplier.	.244	.359	.685	.122
15. This supplier provides relevant information to us.	.237	.258	.118	.838
16. This supplier provides sufficient information to us.	.252	.338	.113	.795
17. This supplier provides reliable information to us.	.208	.090	.359	.698

Rotation Method: Varimax with Kaiser Normalization.

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