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# CUSTOMER ORIENTATION OF EMPLOYEES IN TRAVEL AGENCIES AS A PREDISPOSITION OF SERVICE QUALITY: TEST OF COSE CONSEQUENCES MODEL

*Abstract: The principal aim is to test the Customer Oriented Service Employee (COSE) model and customer sided consequences in travel agencies in Serbia. Data was collected from 243 customers of travel agencies willing to evaluate customer orientation of employees in selected travel agencies in Serbia. Data analysis incorporates structural equation modeling. COSE consequences model was only partially confirmed (three of six hypothesized relationships between COSE dimensions and customer-sided consequences).This article contributes to the theory and practice in the field of customer relationship building. Providing a discussion on COSE model implication in the travel industry, this study highlights the differences which occur in the field of service marketing. This study extends measurement model of customer orientation in travel industry implementing the COSE model in a developing country. Unlike typically measured customer orientation by self-reports from travel agents, this study presents their customer orientation just from the customer's perspective.*

*Keywords: Customer orientation, Service quality, Customer satisfaction, Customer retention; travel agencies, Serbia*

## 1. Introduction

Unlike manufacturing, service industry requires more interpersonal relationships. Furthermore, the complexity of the business environment is emphasized particularly in transitional economies such as Serbian economy. Moreover, the high unemployment rate and the low average monthly income in Serbia imply that people often travel less and when they travel they often choose travel agent according to the price level. In these conditions, it is even more difficult to retain customers and create loyal customers. This sets a challenge for service enterprises to provide superior value and quality, better than competitors, in order to achieve positive economic results and survive in the market. These competitive advantages could be reflected in adaptability, greater sensitivity to the needs of consumers and consequently efficiency in meeting the needs of consumers. These challenges are especially intensive in tourism as a service industry, in which customer satisfaction is of paramount importance.

As intermediaries between tourists and tourism service providers, meaning that most of the goods and services included in a holiday package are provided by a supply

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chain of subcontracted companies, organizations and agents, travel agents are not in direct control of customers' service experiences. Hence, travel agents are only a part of complex tourism supply chain but with an important position in the value chain. Due to the fact that services are intangible, the behavior of service employees represents a crucial component when assessing the service quality (Hennig-Thurau, 2004; Teng & Barrows, 2009; Zablah et al., 2016; Ladhari et al., 2017; Collier et al., 2018). Many authors agree that the service-workers' level of customer orientation plays an important factor in performance outcomes and a firm's success (Bitner et al., 1990; Bowe & Johnson, 2000; Bowen & Schneider, 1985; Brown et al., 2002; Donavan & Hocutt, 2001; Farrell & Oczkowski, 2012; Hombourg et al., 2011; Millán & Esteban, 2004; Zablah et al., 2012; Korchun et al., 2014; Terho et al., 2015; Wilson et al., 2016; Babakus et al., 2017). In the business of travel agents, the behavior of front-line employees is an important initial component of the service quality construct and involves critical moments of confidence when customers often make a decision of purchase and at last but not the least, develop lasting impressions of the travel agency. The quality of this contact with travel agent employees is often of immense importance for creating loyal customers.

In the current intensively competitive environment in Serbia tourism market, where travel agencies in general meet tourists' demand for homogeneous products and services focused on several main destinations (Greece, Bulgaria, Montenegro, and Turkey), customer orientation of service employees should play an important role in customer satisfaction, emotional commitment and retention. Furthermore, no study has yet measured customer orientation in travel agencies as a set of behaviors of travel agents from the customer's perspective in Serbia. With the above-mentioned problem in mind, the purpose of this study is two-fold: firstly, to test the conceptual COSE consequences model and its applicability for understanding the importance and impact that customer orientation of travel agents might have on three positive outcomes for travel agencies and service industry in general: customer satisfaction, customer commitment and customer retention. In this way, the authors also want to test if the COSE model is applicable in transitional economies such as Serbia, or some further investigation is necessary to explain those relationships in this context; Secondly, to extend previous research, focusing on consumer's evaluations of perceived customer-oriented behaviors of front-line employees in travel agencies. Unlike typically measured customer orientation by self-reports from travel agents, this study presents their customer orientation just from the customer's perspective. In that sense, the focus of discussion will be on the applicability of the COSE model for service marketing and management in travel agencies in less developed countries such as Serbia.

## 2. Literature review

As service employees have an important role in the formulation of customers' service evaluations (Bitner, 1990; Donavan et al., 2004) at the end of 20th-century customer orientation was recognized as a success factor for service organizations. This is mainly because it is considered as a powerful tool for creating competitive advantage (Kim et al., 2005). Hogan et al. (1984) defined service orientation as an individual characteristic manifested as being "helpful, thoughtful, considerate and cooperative" in customer service. Saxe and Weitz (1982) were first to introduce the concept of a salesperson's customer orientation suggesting that it represents a major determinant of salesperson performance. They also explain that customer orientation refers to trying to help customers make purchasing decisions that will satisfy their needs and generate long-term satisfaction (Saxe & Weitz, 1982). Thus, with an increase of customer orientation the importance on working in customers' best interests and identifying offerings that suit

their needs also increases. Moreover, customer orientation is tightly connected to value-based selling, so when it increases, the employee's engagement in behaviors that facilitate customer value also increases (Terho et al., 2012).

Bitner et al., (1990) demonstrate that the service employees' customer orientation represents an important element in assessing the service quality. Cran (1994) defines customer service orientation as a "set of basic individual predispositions and an inclination to provide service, to be courteous and helpful in dealing with customers and associates." Such customer-oriented behaviors lead to the development of long-term relationships between the organization and its customers that are beneficial to both parties (Dunlap et al., 1988; Kelley, 1992; Saxe & Weitz, 1982). Kelly (1992) suggested and tested COSE model which included dimensions such as organizational climate and socialization, but also personal constructs such as motivational effort and direction. According to Terho et al. (2015), customer orientation determines an employee's commitment to understanding and meeting customer expectations but also make them enjoy this. Moreover, Bagozzi et al. (2012) suggest customer orientation motivates service employees to constantly engage in learning and acquiring new knowledge so that they can better meet the needs of their customers. Henning-Thurau (2004) adds that employees' technical skills, social skills, decision-making authority and motivation are strongly related to their customer-oriented behaviors. Also, customer orientation helps employees cope with stress and develop more positive emotions and prevent the development of negative ones to protect their self-control strength. According to Terho et al. (2015, p.1585), such employees are also more capable of "serving customers through the organizationally desired emotions (e.g. serving with a smile)". This emphasized the importance of researching this topic in service and customer-oriented enterprises such as travel agencies.

In accordance to this, in the 21st century, the realized importance of customer orientation has led to a great deal of research and organizations that rely on customer service. Consequently, those organizations recognized the importance of having employees with a customer service orientation (Alge et al., 2002; Ladhari et al., 2017; Collier et al., 2018). Several previous studies have explored the relationship between customer orientation of service employees (COSE) and its effect on the success of the service industry (Brown et al., 2002; Kelley, 1992; Donavan et al. (2004) and Hennig-Thurau and Thurau (2003). Brown et al. (2002) and Kelley (1992) focus on the relationship between COSE and personality traits, job satisfaction, and organizational commitment, while the other three studies proposed a model that includes the employee's motivation, skills related to customer focus, and dimension regarding self-perception of decision making entity. Brown et al., (2002) define that customer orientation behavior as a tendency of employees to meet their customers' needs. They conceptualize COSE as two-dimensional, composed of: a needs dimension which is related to the employees' belief they can satisfy customer's needs and requests; and an enjoyment dimension related to the degree in which employees feel good in their interactions with customers (Brown et al., 2002).

Over the years, a considerable amount of research has been devoted to the measurement of customer service orientation. Holland & Baird's (1968) recommend Interpersonal Competence Scale for measuring individual traits in predicting performance. Saxe & Weitz (1982) propose Selling Orientation-Customer Orientation scale (SOCO) specifically to measure customer orientation in a selling environment. Soon thereafter, Hogan, Hogan, & Bush (1984) affirm an instrument to measure service orientation, which describes elements of good adjustment, likeability, social skill, and willingness to follow rules. Finally, a

customer orientation scale appropriate for the service industry is developed by Donavan, Brown, and Mowen (2001). Donavan & Hocutt (2001) modify the Donavan et al. (2001) scale to reflect the perception of employee customer-orientated behaviors as witnessed by actual customers of a service firm. They claim that COSE includes five dimensions, referred to the need to take a special care of customers, read the customer developing a personal relationship delivering what is expected and their need to interact. Furthermore, they indicated on the deficiency of previous research work on customer orientation which is usually assessed by employees' self-reports.

Dunlap et al. (1988) indicate that customer perceptions of customer-oriented behaviors displayed by service workers may differ from self-reported assessments from employees themselves. Customers do not perceive service providers to be as customer-oriented as the provider perceived themselves to be (Dunlap et al., 1988). Deshpande et al., (1993) suggest that customers instead of supervisors should assess the service worker performance and firm's level of customer orientation. Finally, Donavan & Hocutt (2001) propose that supervisor's evaluations of performance may be based in part on other peripheral aspects such as getting along with the boss rather than performance with the customer.

More than a decade ago, based on the literature on service marketing and social psychology, Hennig-Thurau & Thurau (2003) has developed the model of Customer oriented service employee (COSE) as a three-dimensional construct, emphasizing the employee's motivation to answer the customers' requests and satisfy their needs the skills required to achieve this, as well as the employee's assessment of their own freedom to make decisions important for customer satisfaction. Their model contains suggestion how service employees should behave in order to satisfy consumers' needs. Motivation is an essential element which drives employees' behavior to provide quality

services (Hennig-Thurau, 2004; Kim, 2009). It includes a positive relationship of customer-oriented behavior and its' outcomes, the employee's perception of its own ability to be customer-oriented and employee's anticipation of what will be achieved with such behavior (e.g., satisfied customer, support from the employer) (Hennig-Thurau, 2004). These elements are of great importance in supporting the customer-oriented behavior in the service industry (Kim & Ok, 2010). These elements help service employees maintain positive interactions with their customers, which consequently results in customer satisfaction and better perception of service quality (Puccinelli et al., 2010).

Soon thereafter, Hennig-Thurau (2004) conceptualized the four-dimensioned COSE model with social skills regarded as separate from technical skills. So, technical skills include service employees' knowledge, expertise, and competency as required in order to serve customer's needs during the service encounter. Social skills are related to the service employee's ability to understand customers' perspectives in terms of their perceptions, thoughts and feelings (Hennig-Thurau, 2004). Subsequently, Hennig-Thurau (2004) developed a model of COSE consequences which include customer satisfaction, commitment and customer retention.

## 2.1. The contribution of the article

Despite an abundance of literature sources dealing with service orientation, limited research has been devoted on how customer orientation of employees in the service industry in general influences perceived organizational performance from the customers' perspective (Hennig-Thurau, 2004; Brady & Cronin, 2001). There has been a great number of service orientation studies focused on the area of retailing (Jayawardhena et al., 2008), financial services industry, e.g. banks and insurance (Hanzaee & Mirvaisi, 2011), restaurants

(Brown et al., 2002, Donavan & Hocutt, 2001; Kim & Ok, 2010; Kim, 2009; Kim et al., 2003;) and hospitality (Teng & Barrows, 2009). However, less attention has been given to the exploration of the service orientation of front-line employees in travel agencies business (Hennig-Thurau, 2004; Zadeh et al., 2013) and no study has focused exclusively on the COSE issue in the practice of travel industry in Serbia. Prior research within travel agencies in Serbia referred mainly to investigation of employees' performance and level of customer orientation assessed by their supervisors, to provide a narrow academic perspective on measurement of tourists' satisfaction with travel agencies (Gajić, Kovačević, Penić, 2014) or service quality perception by travel agencies customers (Marinković et al., 2013). This article will provide a discussion on COSE from customers' perspective that will be beneficial to the travel industry in Serbia. Despite valid legislative acts, common scandals of travel agencies in Serbia based on the unethical behavior of employees lead to the lack of trust of potential consumers and stakeholders (Simat & Dragin, 2012). The results and conclusions contribute to the creation of a greater awareness amongst Serbian travel agents of the requirements for establishing long-term and sustainable relationships between the organization and its customers. Thus, this article will provide a theoretical and practical contribution to the field of maintaining quality customer relationships in travel agencies in Serbia.

## 2.2. Objectives of the article

The primary objective of the article is to test a model of COSE dimensions and customer-sided consequences and thereby to apply it to the case of travel agencies in Serbia. It is observed that the majority of work on the issue of customer orientation is concentrated on developed market economies (Hennig-Thurau, 2004; Keillor et al., 2004). Research on this topic in countries such as India, Russia and China provide an opportunity to test the

applicability of Western models of service evaluation the countries outside of this context (Jayawardhena et al., 2008). Therefore, the study also aims to conduct a research one such transitional economy, namely Serbia. The aims of the paper are also to provide some practical suggestions for improving marketing and management activities in travel agencies in Serbia, with a final aim of creating loyal customers. Implications of the research - theoretical but also practical is indicated and elaborated in the discussion section of the paper.

## 2.3. Hypotheses and the research model

Hennig-Thurau (2004) initially assumed that, as it is shown in Figure 1, technical skills, social skills, motivation and decision-making authority affect customer satisfaction, commitment and customer retention.

In verifying if the customer orientation has a crucial role in the customers' satisfaction with a travel agency, the level of emotional commitment of these customers to the travel agency, and their retention, following hypothesis are considered:

**H1**: The customer orientation of travel agents has a positive influence on customer satisfaction.

Donavan & Hocutt (2001) propose that a service employee with a customer-oriented disposition will more likely satisfy the customer. Empirical evidence supports this relationship. Reynierse & Harker (1992), utilizing the SOCO scale, found that there was a positive relationship between the level of customer orientation demonstrated by employees and subsequent customer satisfaction. Testing the COSE model against Iranian Islamic banking, Hanzaee & Mirvaisi (2011) support the hypotheses that the quality of employee-customer interaction strongly affects the level of customer commitment. In their study, Donavan & Hocutt (2001), suggest that customers are satisfied when they perceive that the contact person has exhibited behaviors of making them feel special

(pamper), reading their desires (read), performing the service correctly (deliver), and getting to know the customer (personal relationship). As travel agents are an important initial component of the service quality construct, authors expect that they have an important role in the value chain influencing the level of tourist's service evaluation and satisfaction.

**H2**: The customer orientation of travel agents has a positive influence on emotional commitment.

Donavan & Hocutt (2001) suggest that the perception of an employee's customer orientation will lead to a second positive outcome: higher levels of commitment to the firm. They argue that if the front-line employee in a service firm demonstrates customer-oriented behaviors, then customers may become more committed to the firm (Donavan & Hocutt, 2001). Steyn et al., (2004) and Lager (2008) also claim that the best way for achieving customer-loyalty is maintaining the high standards of service quality, service providing, and competitive prices. Considering that travel agencies are service centered businesses, the loyalty of customers towards them is an important prerequisite for financial sustainability (Roberts-Lombard, 2009).

Authors join the previous research work and strongly believe that despite the current intensively competitive environment in Serbia tourism market, travel agent's ability to handle interactions with potential customers should influence their commitment to the certain travel agency.

**H3**: The customer orientation of travel agents has a positive influence on customer retention.

Williams & Sanchez (1998) recognize that the management of customer service behavior fosters repeat customer business. Customer orientation, as defined here, is the disposition to satisfy customer needs. Because contact employees with a customer-oriented

disposition strive to meet their needs, customers would be less inclined to seek an alternative service provider (Donavan & Hocutt, 2001). Hence, authors believe that customer orientation of travel agents has a positive direct influence on their repurchase.

**H4**: Customer satisfaction has a positive influence on emotional commitment.

A wide range of studies analyzes the impact of satisfaction on consumer loyalty and provides empirical evidence of a strong relationship between these constructs (Brady & Robertson, 2001; Mooradian & Olver, 1997; Sivadas & Baker-Prewitt, 2000; Söderlund, 1998; Yu & Dean, 2001). On the other hand, some studies affirm that the satisfaction-loyalty relationship is non-linear considering that it may be influenced by the personal characteristics of the customers, such as a predisposition to variety seeking or by age and income (Homburg and Giering, 2001). Furthermore, Bloemer & De Ruyter (1998) argues that this relationship is weaker when consumers are less experienced and/or involved because they make judgments which are not elaborated on and of which they are not fully aware. Consequently, their satisfaction judgments will not necessarily lead to commitment. However, Del Bosque et al., (2006) confirm that there is a direct relationship between satisfaction and future behavior of travel agency users, that is the greater the user satisfaction with a travel agency service, the greater their intentions are to re-use the service and willingness to recommend the service to friends and relatives. Authors join the affirmation expecting that customer satisfaction positively affects the level of emotional commitment to a certain travel agency.

**H5**: Customer satisfaction has a positive direct influence on customer retention.

Satisfaction is an important antecedent in fostering customer retention (Gil et al., 2006). Many studies prove that customer satisfaction has a positive effect on customer loyalty (Fornell et al., 1996), furthermore,

satisfaction affects a buyer's decision to continue a relationship with the organization (Ndubisi et al., 2009) and results in customer retention. Considering high competition environment in the travel industry, particularly in transitional countries such as Serbia, and the fact that costs to attract a new customer are far higher than retaining an existing customer, it is highly unavoidable to dissatisfy an existing customer. If a customer uses a product or service and this service meets his expectations than he creates some inclination towards service provider, next time he repurchases and has the same level of expectation as experienced in the previous purchase (Crosby et al., 1990).

However, some authors believe that customer satisfaction scores on their own may not provide an accurate forecast of re-purchase behavior (Seiders et al., 2005). Seiders et al. (2005) prove the notion that the relationship between satisfaction and repurchase behavior is contingent on the moderating effects of convenience, competitive intensity, customer involvement and household income. Furthermore, they argue the results of the relationship are significantly different for self-reported repurchase intentions and objective repurchases behavior (Seiders et al., 2005).

When it comes to travel agency business, tourists leave their everyday "safe environment" and many existential questions left to travel agent and hence their complete confidence. Reducing a perception of risk associated with some travel agency reflects in trust and knowing that traveler can rely on the trusted travel agent. Authors strongly agree with Sirdeshmukh et al. (2002), believing that if a customer is satisfied with overall service, he would never like the risk to switch the service and thus will result in positive customer retention.

**H6**: Customer commitment positively affects customer retention.

According to Morgan & Hunt (1994), commitment stems from trust, shared values and the belief that it will be difficult to find partners that can offer the same value. Consumers tend to prefer a partner that they feel is committed over an alternative related to the absence of an affective commitment (Morgan & Hunt, 1994). On the other side, customer loyalty is of paramount importance in the competitive travel market. Thus, the knowledge of the factors that influence the customer loyalty is especially valuable to travel agencies striving for the loyal customers (Richard & Zhang, 2012). In that sense, authors believe that affective commitment is crucial in predicting customer loyalty.
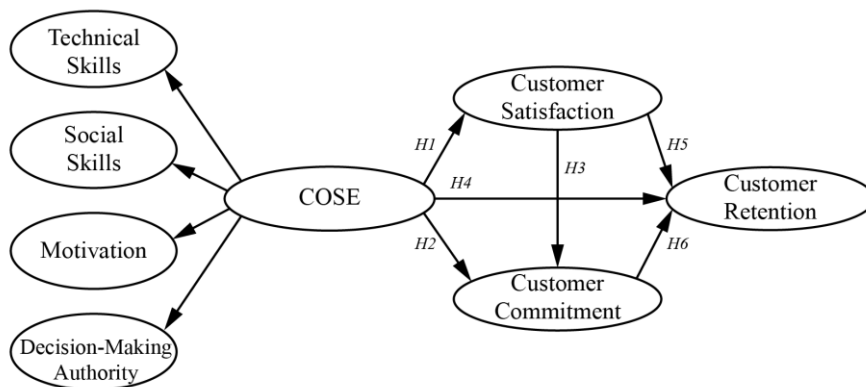


**Figure 1.** A model of COSE dimensions and consequences

## 3. Methodology

### 3.1. Measurement and sampling

To test the hypothesis, a structured questionnaire has been adapted from Hennig-Thurau (2004), with adding the frequency of using travel agents' services and the name of the travel agency that services customer uses the most. For the purpose of the study, as data collection took place in the Serbian tourism industry, the questionnaire was translated into Serbian. The translation was intended to be as close as possible to the original content of the items. For the purpose of back translation, the authors consulted the Professor of English language.

The questionnaire consisted of several parts. To measure the customer's perception of employee's skills, this study utilizes conceptual model suggested by Hennig-Thurau & Thurau (2003) and soon thereafter modeled by Hennig-Thurau (2004) who provide four dimensions namely technical skills, social skills, motivation and decision-making authority. Each of the skill was measured with three items. All items were five-point Likert-type measure, (1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree and 5 = strongly agree). Appendix A provides the insight into the measurement items.

For measuring customer satisfaction, commitment and retention conceptual scale took from Morgan & Hunt (1994), Zeithmal et al., (1996), Hennig-Thurau et al. (2002) and Hanzaee & Mirvaisi (2011). Each of three dimensions consists of four items measured on a five-point Likert scale.

The sampling frame for this research consists of travel agencies' customers in Serbia. As respondents stated the name of the agency in the questionnaire, the authors obtained information that customers of 35 different agencies were included in the study. Surveys were distributed using online survey tool Survey Monkey. The online questionnaires were distributed via Facebook but also by email. Also, the respondents were asked to share the survey with everyone they know that it is traveling by agency. Thus, the sample was convenient for applying the snowball technique. The respondents were informed of the main purpose of the questionnaire and that survey is voluntary and anonymous. The survey was distributed from April to September 2014. This specific period was chosen because it is the period when people use the travel agency services the most. The sample included 243 appropriately completed questionnaires filled out by people of different gender, age, educational level and field of education, who identified themselves as users of travel agency services and willing to be involved in the current research.

### 3.2. Data analysis

COSE consequences model could be tested in two different ways - using simple path analysis or using a more complex structural model. In path analysis, all major variables of the model are observed (measured) variables, while in the structural model all major variables of the COSE consequences model are included as latent variables. We decided to create and test a structural model since it includes measurement models for each construct (variable) of COSE consequences model as well as structural parts that represent the causal relations hypothesized by COSE model. The data were analyzed in the EQS statistical software 6.1 version.

## 4. Results

### 4.1. Sample description

The sample includes a broad spectrum of individuals, aged from 20 to over 50 years. Most respondents belong to 20-29 age group (69.2%). It is evident that woman was more willing to complete the survey, as the sample consists of more female (61.3%) than male (38.7%) (Table 1).

**Table 1.** Socio-demographic characteristic of the sample (N=243)

|  | Category | Frequen-cy | Percenta-ge |
|---|---|---|---|
| Gender | Male | 94 | 38.7 |
|  | Female | 149 | 61.3 |
| Age | < 20 | 5 | 2.1 |
|  | 20-29 | 130 | 53.5 |
|  | 30-39 | 53 | 21.8 |
|  | 40-49 | 31 | 12.8 |
|  | $\geq 50$ | 24 | 9.9 |
| Educati-on | Secondary school | 53 | 21.8 |
|  | High school | 34 | 14 |
|  | Bachelor | 109 | 44.9 |
|  | Mater degree | 43 | 17.7 |
|  | PhD | 4 | 1.6 |
| Employ-ment status | Employed | 148 | 60.9 |
|  | Unemploy-ed | 36 | 14.8 |
|  | Student | 48 | 19.8 |
|  | Retiree | 11 | 4.5 |
| Monthly personal income (EUR) | < 150 | 59 | 24.3 |
|  | 151-300 | 48 | 19.8 |
|  | 301-500 | 75 | 30.9 |
|  | 501-800 | 53 | 21.8 |
|  | >801 | 8 | 3.3 |
| The frequency of travel agency service use | Once per year | 113 | 46.5 |
|  | 2 – 5 per year | 98 | 40.3 |
|  | >5 per year | 32 | 13.2 |

A total of 44.9% is highly educated with some form of a diploma and most of them are employed (60.9%). Although one-third of respondents have a monthly income between 301 EUR and 500 EUR (30.9%) that represents an average monthly income in Serbia the majority uses the travel agent services at least once per year (46.5%). Moreover, it is encouraging that 40.3% of respondents use travel agents services 2-5 times a year, meaning they are frequent travelers and relevant to fill in the survey. The data were normally distributed in age, gender, education, and monthly income.

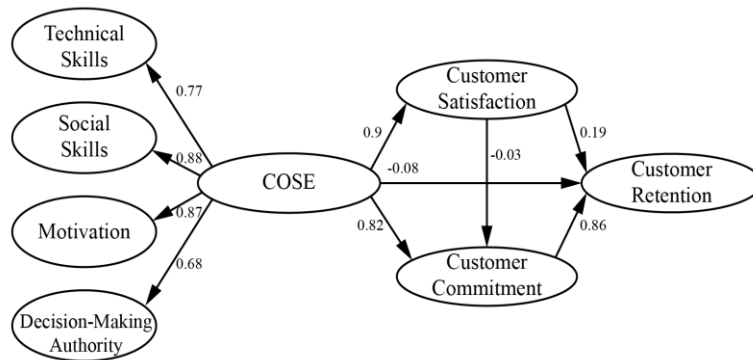### 4.2. Testing the COSE consequences model

As mentioned before, structural equation modeling was applied in order to test COSE consequences model, and the first theoretical model was constructed based on the study of Hennig-Thurau (2004). First tested model, which included all items in all measurement instruments (questionnaires), did not provided a total model fit: $\chi^2(243) = 712.787$, p = 0,000; CFI = 0,936; RMSEA = 0,090; SRMR = 0,041, suggesting that some changes should be made in the model. Because of that, we decided to exclude some items (measured variables) from the model. Namely, modification indices for tested model showed that couple of items in the model, which belong to different constructs, had a strong covariance.

Totally 4 items were deleted from the model because of this reason - one item from scales that measured Technical Skills (Employees are experts in their job), Motivation (Employees do their best to fulfill their customers' needs), Customer Satisfaction (My experiences with travel agency are excellent) and Customer Commitment (I feel committed to travel agency). This revised model had good fit: $\chi^2(161) = 331.864$, p = 0,000; CFI = 0,969; RMSEA = 0,066; SRMR = 0,0381. Figure 2 shows the standardized solution of the revised model (observed

variables are omitted). Statistical significances for standardized coefficients and results of hypothesis testing are presented in Table 2.



**Figure 2**. A standardized solution of tested COSE consequences model (observed variables are omitted)

The results (Table 2) show that only three hypotheses derived from COSE model were confirmed (H1, H2 and H6) in our sample. COSE measurement model confirmed four-dimensional structure. However, not all relations were replicated in this model, which might be caused by specific geographical location and some socio-economic specificities of Serbia as a country. Moreover, this also can imply that the questionnaire could be improved by adding some important construct that may mediate or even moderate the obtained relationships. This will be further elaborated in the discussion part.

**Table 2.** Statistical significances for standardized coefficients and results of hypothesis testing

| Hypothesis | Relationship | | | Estimate | p | Result |
|---|---|---|---|---|---|---|
| H1 | COSE | → | Customer Satisfaction | 0.902 | 0.001 | Supported |
| H2 | COSE | → | Customer Commitment | 0.815 | 0.001 | Supported |
| H3 | Customer Satisfaction | → | Customer Commitment | -0.033 | 0.594 | Not supported |
| H4 | COSE | → | Customer Retention | -0.077 | 0.563 | Not supported |
| H5 | Customer Satisfaction | → | Customer Retention | 0.186 | 0.069 | Not supported |
| H6 | Customer Commitment | → | Customer Retention | 0.855 | 0.001 | Supported |
| N/A | COSE | → | Technical Skills | 0.767 | 0.001 | N/A |
| | COSE | → | Social Skills | 0.883 | 0.001 | |
| | COSE | → | Motivation | 0.871 | 0.001 | |
| | COSE | → | Decision-Making Authority | 0.676 | 0.001 | |

# 5. Discussion and conclusion

The aim of this study was to test the COSE consequences model in the case of travel agencies in Serbia. Despite the fact that customer orientation is considered to be an essential element for firm success there is a relative lack of empirical evidence to support such a claim. This especially refers to the research conducted in Serbia. To the best of the authors' knowledge, this is the first published study to test and discuss customer orientation of front-line employees in travel agencies in Serbia from customers' perspective. This study should be particularly helpful to agency practitioners and firms attempting to retain customers in this highly competitive travel industry.

Results of this study are only partly in accordance with the study of Henning-Thurau (2004), who implemented this model in the travel, book, CD and DVD industries. First of all, set in the context of travel agents, COSE model demonstrated some crucial context-related differences. Considering the role and effect of four COSE dimensions on the analyzed outcome constructs, the findings illustrate that there is a direct impact of COSE on customer satisfaction and customer commitment, providing support for H1 and H2, as well as relevant previous studies (Hennig-Thurau et al., 2002; Hanzaee & Mirvaisi, 2011). On the other hand, H3 is not supported, implying the absence of direct influence of COSE on customer retention. A possible explanation is following: travel agent is only a part of a complex tourism supply chain and, consequently, not in direct control of customers' service experiences. Hence, the influence of customer orientation of employees in a travel agency on customer satisfaction and consequently retention could be mediated by, amongst other constructs, service quality perceptions of overall service, including travel experience. However, Hennig-Thurau (2004) did not include service quality perceptions in his model. The model does not test the relationship between customer orientation and service quality but

measures customer satisfaction, service encounter quality, and service orientation. Bearing in mind the aforementioned nature of travel service, it is not surprising the absence of direct positive impact of customer satisfaction on commitment and repurchase and the fact that research did not support H4 and H5. Although Kotler (1994) asserts that the essential element of the customer retention is customer satisfaction, this is obviously not sufficient in the travel industry. On contrary, Deming (1986, p.141) states: 'it will not suffice to have customers that are merely satisfied'. Moreover, it is mentioned that the high unemployment rate and the low monthly income could affect loyalty of customers who are searching for cheaper ways to travel. If we consider that in the current study sample there is 34.5% of respondents whose monthly income is less than 300e and more than third of respondents are unemployed and students, there is a possibility that these factors affect customer retention and loyalty to certain travel agent. Outbound travel agencies are dominant on Serbian tourism market (Štetić & Dragićević, 2011). Analyzing supply of 35 travel agencies included in the survey it was established that they meet tourists' demand for homogeneous products and services mainly focused on several destinations (Greece, Bulgaria, Montenegro, and Turkey). As such, this type of travel market is sensitive to prices and encounters the problem of the low customer loyalty. Considering the interrelationship of travel agencies' image, satisfaction and commitment on customer loyalty, Richard & Zang (2012) infer that customers can easily switch travel agencies if there are no psychological attachments as an important component of customer loyalty. Therefore, achieving the customer loyalty and knowledge on factors affecting this important construct is crucial for travel agencies (Richard & Zang, 2012). Creation of emotional attachments should also be the prime focus of travel agencies marketing. While the current promotional activities of travel agencies in Serbia mainly focus on

promoting price discounts and lower prices than competitors, this should be changed by including some other important elements in marketing activities such as travel agent's core values, brand personality (such as trust, caring, providing feeling of safety etc.) but also idiosyncratic experience the agency provides to its customers. We strongly believe that this kind of marketing which puts emphasize on distinctive features of travel agent and quality of services it provides could affect customer loyalty and their retention in that travel agency. However, the majority of travel agencies have never gained a deeper insight in their core values and competencies that differentiate them on the competitive market. This is essential for defining their authentic brand that they will communicate on the market and that will ensure their customer loyalty and retention. Also, the research on what is important for travel agent customers and what they expect to gain from travel agents is merely ever conducted in Serbia. All the research that agencies conduct is based on customer satisfaction with a travel package, tour guides, hotel services, transport etc., but these questionnaires never focus on how customers are satisfied with service employees who sell travel packages. Thus, in order to be competitive in the market and have loyal customers, they should continuously get an insight into what is important for their customers in the service providing process, how they perceive the quality of service that service employees provide as well as the reasons why they have chosen that particular agency. In this context, the better synergy of theory and practice is necessary as well as the wider application of research results of similar studies in the practice. In connection to this, part of the regular training process of service employers in travel agency should include learning how to follow and implement new research results for the purpose of improving all aspects of travel agency business.

Furthermore, travel agencies attempting to improve customer loyalty should try to create strong emotional relationships with customers (i.e. through trust and service delivery), rather than merely concentrate on customer satisfaction improvement (Gounaris, 2005). In that sense, as Table 2 indicates, results provide support that commitment has a direct positive influence on the repurchase. Thus H6 is supported.

Finally, applied in the travel industry in Serbia, as a country with a transitional economy, COSE measurement model partly confirmed its transferability and replication, drawing conclusions about contextual differences in the service industry. The study implies the necessity of adjustment in order to improve the quality of the instrument but also opens a lot of questions, which should be further investigated in the future in order to obtain the complete picture of these complex relations.

## 5.1. Limitations and future research

As with any research project, it is prudent to consider limitations and potential improvements with hindsight. Thus, the main limitation of the paper includes the possibility that satisfaction with a particular travel agency and its frontline service may confuse satisfaction with a whole tourism product (e.g. the tour package or destination) in the respondents' answers. However, the key issue in testing the model of COSE was satisfaction with the service encounters quality and service orientation of travel agents, not satisfied with the tour package. This was also explained in the introductory part of the survey where the main aims of the research were presented. As there was no explicit request for destination information or consideration by the respondent in the questionnaire, it could be assumed that satisfaction with the travel product didn't affect and mediate the survey results substantially.

The outcomes of this study suggest additional opportunities for future research and open some new research questions. As the previously developed measurement models (Parasuraman et al., 1988; 1991; Cronin &

Taylor, 1992), particularly in travel agencies context (Millán & Esteban, 2004) have recognized the crucial role of intangible and non-material aspects of service provision in customer satisfaction, authors suggest improvement of COSE model by addition of dimensions relating to reliability, responsibility and empathy of employees. These dimensions should involve not only the measures to get to know the particular needs of each client and being able to offer personalized advice but also the efficient delivery of services at all times, keeping to agreed promises, precise outline of the conditions of service and speedy delivery of service to client (Millán & Esteban, 2004). It is expected that the measurement model will be improved giving a comprehend explanation of positive outcomes of

employees' customer orientation in travel agencies and service industry in general. Future research should also include the sample from several different countries in order to see if the geographical context makes a difference in the model testing and replication. Also, the inclusion of variable such as the reason for choosing particular travel agency could reveal some differences in the analyzed constructs. Moreover, inclusions of some sociodemographic characteristics as mediators or even moderators in the model, with special emphasize on monthly income and educational level could provide some more detailed insights in this complex model and may explain the absence of some relationships which existed in the original theoretical model.

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**Appendix A**

Initial items of COSE model

Technical skills
- The employees of travel agency have a high level of knowledge.
- Travel agencies employees are experts in their job.                  Removed
- The employees of travel agency are highly competent.

Social skills
- The employees of travel agency have extensive social skills.
- The employees of travel agency are able to consider their customers' perspective.
- The employees of travel agency know how to treat a customer well.

Motivation
- The employees of travel agency show a strong commitment to their job.
- The employees of travel agency do their best to fulfill their          Removed
  customers' needs.
- The employees of travel agency are always highly motivated.

Decision-making authority
- The employees of travel agency are allowed to decide autonomously in customer matters.
- The employees of travel agency have an appropriate room for maneuver in solving customer problems.
- In the case of customer requests, travel agency's employees do not need to ask their superior for permission.

Customer satisfaction
- I am fully satisfied with a travel agency.
- Travel agency always fulfills my expectations.
- The travel agency has never disappointed me so far.
- My experiences with travel agency are excellent.                      Removed

Emotional commitment
- I feel committed to travel agency.                                     Removed
- My relationship with a travel agency is important for me.
- If travel agency were no longer to exist, this would be a significant loss for me.
- I would turn a blind eye to a minor mistake of a travel agency.

Customer retention
- In future, I will book most my travel at a travel agency.
- I am a loyal customer of a travel agency.
- My next travel booking will take place at a travel agency.
- The travel agency is my first choice when it comes to booking travel.