

Dennis Herhausen

# **Understanding Proactive Customer Orientation**

Construct Development  
and Managerial Implications



RESEARCH

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Construct Development  
and Managerial Implications

With a foreword by Prof. Dr. Marcus Schögel



**RESEARCH**

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## Foreword

Der Erfolg von Innovationen hängt per Definition von ihrer Akzeptanz im Markt ab. Dementsprechend nahe liegt es, den Kunden in die verschiedenen Phasen des Innovationsprozesses aktiv einzubinden. Jedoch weisen die Ergebnisse der Marketing- und Innovationsforschung der letzten Jahrzehnte darauf hin, dass Kunden nur über ein begrenztes Verständnis ihrer Bedürfnisse verfügen. Zwar sind sie in der Lage bestehende Bedürfnisse zu schildern; zukünftige Anforderungen oder Notwendigkeiten, die Produkte und Leistungen zu erfüllen haben, können sie vielfach jedoch ebenso wenig wie Experten vorhersagen.

Doch gerade erfolgreiche Unternehmen zeichnen sich dadurch aus, dass sie in der Lage sind, unerschlossene, sogenannte latente Bedürfnisse, anzusprechen und damit neue Märkte für sich zu erschliessen. Dieses proaktive Verständnis der markt- und kundenorientierten Unternehmensführung gewinnt in den letzten Jahren immer mehr an Bedeutung, versuchen doch Anbieter durch einzigartige Lösungen Wettbewerbsvorteile in ihren Märkten zu realisieren. Unternehmen wie Apple, 3M oder Sony sind nur einige Beispiele für ein derartig proaktives Verständnis der Kundenorientierung. Bisher liegen aber nur wenige Arbeiten vor, die sich mit dem Problem der Identifikation von latenten Kundenbedürfnissen beschäftigen. Hier setzt die Dissertation von Dennis Herhausen an.

Um sich dieser strategischen Fragestellung anzunähern, widmet sich Herr Herhausen den Unterschieden zwischen proaktiver und reaktiver Marktorientierung. Der Tradition ressourcenorientierter Ansätze folgend erläutert und verknüpft er die Aspekte des marktorientierten Lernens und die Eigenschaften marktbasierter Innovationen. Anhand einer detaillierten Bestandsaufnahme der relevanten Literatur und managementbasierter Erkenntnisse entwickelt er einen eigenen Bezugsrahmen für die Erfassung latenter Bedürfnisse. Aus Sicht des Verfassers sind für eine proaktive Kundenorientierung vor allem ein entsprechendes Klima im Unternehmen sowie innovative Marktforschungsprozesse von zentraler Bedeutung. Diese Differenzierung bietet nicht nur eine geeignete Grundlage für die weiteren empirischen Überlegungen, sondern kann auch als fruchtbare Basis für praxisorientierte Analysen und Überlegungen genutzt werden.

Neben einer theoretisch-konzeptionellen Fundierung stützt sich die Arbeit auf eine umfassende Datengrundlage. So gelang es dem Verfasser, Daten von über 400 Unternehmen verschiedenster Branchen auszuwerten und damit der Untersuchung

einen allgemeingültigen Charakter zu verleihen. Die Studienergebnisse bestätigen die zentrale Bedeutung einer proaktiven Kundenorientierung für den Innovationserfolg und der Schaffung von Kundenwert. Die abschliessende Betrachtung von vier Unternehmensfallstudien bietet dem Leser zudem einen vertiefenden Einblick in den praktischen Umgang mit einer proaktiven Kundenorientierung.

Im weiteren Verlauf der Arbeit wird eine mehrstufige Roadmap entwickelt, die situativ auf verschiedene Unternehmenssituationen angepasst und genutzt werden kann. Der Erfolg stellt sich dabei nur durch ein systematisches und integratives Vorgehen ein. In einzelnen sollten von Unternehmen interne Barrieren überwunden, Mitarbeiter motiviert, innovative Marktforschungsmethoden eingesetzt und die zukünftigen Kundenbedürfnisse systematisch in Innovationsprozesse integriert werden. Eine Checkliste gibt Managern konkrete Hinweise, wo sie in ihrem Unternehmen ansetzen können. Wenn Unternehmen die identifizierten Faktoren zielgerichtet optimieren, können sie zukünftige Kundenbedürfnisse sicherlich erfolgreicher ansprechen und so einen überdurchschnittlichen Unternehmenserfolg erzielen.

Insgesamt trägt die theoretisch und methodisch anspruchsvolle Arbeit von Herrn Herhausen wesentlich zur Erweiterung des wissenschaftlichen Kenntnisstandes über den erfolgreichen Umgang mit marktverändernden Innovationen bei. Vor diesem Hintergrund ist der Arbeit eine weite Verbreitung sowohl in der Wissenschaft als auch in der Praxis zu wünschen.

Prof. Dr. Marcus Schögel

## Preface

Die vorliegende Dissertation ist während meiner Zeit als wissenschaftlicher Mitarbeiter am Institut für Marketing der Universität St. Gallen entstanden. An dieser Stelle möchte ich daher all jenen danken, die zum Gelingen dieser Arbeit beigetragen und mich in den letzten Jahren unterstützt haben.

Dank gebührt hierbei in erster Linie meinem Doktorvater, *Prof. Dr. Marcus Schögel*. Ohne seine fachliche und persönliche Unterstützung und seine zahlreichen konstruktiven Hinweise hätte die Arbeit nicht in dieser Form entstehen können. Vor allem danke ich ihm für das in mich gesetzte Vertrauen und die Verantwortung, die ich im Rahmen von Unternehmenskooperationen und wissenschaftlichen Projekten übernehmen durfte. Ebenso bedanke ich mich bei *Prof. Dr. Torsten Tomczak*, der als Ko-Referent diese Arbeit an entscheidenden Stellen durch äusserst wertvolle Hinweise bereicherte. Ein besonderer Dank gilt auch *Prof. Dr. Sven Reinecke*, der mir die Datenerhebung für meine empirische Untersuchung ermöglichte.

Teile dieser Dissertation sind entstanden, während ich Visiting Academic an der Cardiff Business School, Cardiff University war. Ich möchte dem Schweizer Nationalfonds (SNF) dafür danken, dass er mir diese lehrreiche und sehr interessante Zeit in Cardiff ermöglicht hat. *Professor Robert Morgan* und *Dr. Luigi De Luca* danke ich für ihr Interesse an meiner Forschung, die äusserst lehrreiche Zusammenarbeit und ihr wertvolles Feedback zu meinen Ideen.

Spezieller Dank geht auch an meine Kollegen *Sabrina Blawath*, *Jochen Binder* und *Philip Schnaith* für ihre wertvollen Hinweise sowie *Johannes Hattula* und *Peter Fischer* für ihre Unterstützung bei der Datenerhebung. Auch möchte ich mich bei allen Teilnehmern des 23rd EMAC Doctoral Colloquium in Kopenhagen, der Marketing Forschungstagungen in St. Gallen und Berlin sowie der Forschungsseminare des Instituts für Marketing ganz herzlich für die hilfreichen Kommentare zu meiner Arbeit bedanken.

Ein besonderer Dank richtet sich auch an alle Kollegen am Institut für Marketing für die stets angenehme Zusammenarbeit und Unterstützung sowie an die Kooperationspartner und Experten, die mich an ihrem wertvollen Wissen teilhaben liessen.



Schliesslich haben auch meine Weggefährten der Promotionszeit zum Gelingen dieser Arbeit beigetragen. Mein spezieller Dank gilt hier *Dr. Nicolas Pernet* für die produktive und witzige Zeit am Institut, *Dr. Karl Neumüller* für den gemeinsamen Marathon, *Dr. Thomas Fischer* und *Prof. Dr. Sven Henkel* für Sport am Berg und im Wasser, *Oliver Emrich* für einen wichtigen Sieg, *Sandrina Ritzmann*, *Björn Griesbach* und *Alexander Schagen* für Sicherung an der Wand, *Markus Truman* und *Prof. Dr. Matthias Schulten* für gemeinsame Projekte, *Huw Neale* und *Genevieve Williams* dafür, dass ich mich in Cardiff zu Hause fühlen durfte, sowie *Dr. Oliver Arndt*, *Julia Bendul*, *Michael Daiber*, *Jasmin Eberharter*, *Lydia Ebersbach*, *Antonia Erz*, *Dr. Stefanie Henkel*, *Felix Reiche*, *Frauke Rüther*, *Prof. Dr. Christian Schmitz*, *Ernst Sassen*, *Dr. Thorsten Störmer*, *Prof. Dr. Daniel Wentzel* und *Friederike Wolters* für die schöne Zeit in St. Gallen.

Mein grösster Dank gilt allerdings meiner Familie, *Petra Herhausen*, *Robin Herhausen* und *Hans-Erich Herhausen*, die immer an mich geglaubt haben und mich in meinem Werdegang uneingeschränkt unterstützt und gefördert haben.

Ihnen widme ich diese Arbeit.

Cardiff und St. Gallen, Mai 2011

Dennis Herhausen

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## **Abstract**

This work is devoted to the question of how managers can successfully probe latent needs and uncover future needs of customers, labeled as proactive customer orientation. To answer this question, three stages of research are deployed: (1) An exploratory study investigating two different dimensions of proactive customer orientation, (2) a quantitative study investigating consequences, antecedents, and factors that moderate the effects of proactive customer orientation, and (3) a qualitative study investigating situation-specific recommendations on how to increase proactive customer orientation.

First, based on an observation of specialized proactive customer-oriented departments, expert interviews, workshops with managers, and a meta-analysis of existing research, two dimensions of proactive customer orientation are defined, proactive customer-oriented climate and proactive customer-oriented processes. New scales are developed for the two constructs, and the reliability, validity, and generalizability of the second-order measurement models are supported by an empirical study of 218 business-to-business firms and 202 business-to-consumers firms.

Second, detailed research hypotheses are developed and tested with a cross-industry sample of 420 key informants, 82 additional informants, and 51 customers. Using structural equation modeling and hierarchical regression, the empirical results support that proactive customer-oriented climate and proactive customer-oriented processes are positively related with exploratory innovation and exploitative innovation, customer value, and superior business performance. Furthermore, four organizational values are identified as antecedents of proactive customer orientation, and several organizational characteristics moderate the relative importance of climate and processes for innovation, customer value, and performance.

Third, a systematic change process is developed to guide managers that aim to increase their company's proactive customer orientation. More specifically, a four-step process is recommended to successfully probe latent needs and uncover future needs of customers and introduce market-based innovations. However, a cluster analysis revealed different market-based innovation strategies. Typical firms for each strategy are described and situation-specific recommendations regarding resource allocation are given.

## Zusammenfassung

Die vorliegende Arbeit beschäftigt sich mit der Frage, wie Manager erfolgreich latente und zukünftige Kundenbedürfnisse identifizieren können. Diese Fähigkeit wird als proaktive Kundenorientierung (PKO) bezeichnet. Zur Beantwortung der forschungsleitenden Fragestellung werden drei verschiedene Forschungsphasen durchgeführt: (1) Eine explorative Studie zur detaillierten Untersuchung der PKO, (2) eine quantitative Studie zur Identifizierung von Konsequenzen, Voraussetzungen und Moderatoren der PKO, und (3) eine qualitative Studie zur Ableitung situationsspezifischer Empfehlungen, wie Manager die PKO ihres Unternehmens erhöhen können.

Zunächst werden auf Basis von Innovationsabteilungen, die sich mit zukünftigen Kundenbedürfnissen beschäftigen, Experteninterviews, Workshops mit Führungskräften und einer Meta-Analyse der bestehenden Forschung zwei Dimensionen der PKO identifiziert. Die beiden Dimensionen beziehen sich auf das Klima und die Prozesse der PKO. Neue Messinstrumente für die beiden Konstrukte werden entwickelt und durch eine empirische Untersuchung von 218 Industriegüterunternehmen und 202 Konsumgüterunternehmen auf ihre Zuverlässigkeit, Validität und Generalisierbarkeit überprüft.

Nachfolgend werden detaillierte Hypothesen zu den Konsequenzen, Voraussetzungen und Moderatoren der PKO entwickelt und mit einer branchenübergreifenden Stichprobe von 420 Schlüsselinformanten, 82 zusätzlichen Informanten und 51 Kunden überprüft. Die Ergebnisse der Datenauswertung zeigen, dass Klima und Prozesse der PKO einen positiven Einfluss auf die Fähigkeit zu radikalen und inkrementellen Innovation sowie den Kundennutzen und das Geschäftsergebnis von Unternehmen haben. Vier organisatorische Werte fördern eine ausgeprägte PKO, und verschiedene Moderatoren beeinflussen die relative Bedeutung von Klima und Prozesse der PKO.

Abschliessend werden ein systematischer Vier-Stufen-Prozess zur Erhöhung der PKO für Manager entwickelt und eine Clusteranalyse zu Bestimmung verschiedener Innovationsstrategien durchgeführt. Typische Unternehmen für jede Strategie werden beschrieben und situationsspezifische Empfehlungen zur effektiven und effizienten Identifizierung latenter und zukünftiger Kundenbedürfnisse gegeben.

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## Abbreviations

ANOVA	Analysis of Variance
AT	Atmosphere (Proactive Customer-Oriented Climate)
AVE	Average Variance Extracted
AW	Awareness (Proactive Customer-Oriented Climate)
B2B	Business-to-Business
B2C	Business-to-Consumer
CEO	Chief Executive Officer
CFA	Confirmatory Factor Analysis
CFI	Comparable Fit Index
CI	Customer Integration (Proactive Customer-Oriented Processes)
CR	Composite Reliability
EFA	Exploratory Factor Analysis
GU	Guidance (Proactive Customer-Oriented Climate)
HRA	Hierarchical Regression Analyses
IFI	Incremental Fit Index
IFMO	Institute for Mobility Research
IMP	Relative Importance
IN	Infrastructure (Proactive Customer-Oriented Climate)
IR	Indicator Reliability
MIL	Marketing Innovation Department (BMW Group)
N.S.	Not Significant
PCO	Proactive Customer Orientation
QM	Qualitative Methods (Proactive Customer-Oriented Processes)
R&D	Research and Development
RMSEA	Root Mean Square Error of Approximation
SA	Scenario Approaches (Proactive Customer-Oriented Processes)
SD	Standard Deviation
SBU	Strategic Business Unit
SEM	Structural Equation Model
TLI	Tucker-Lewis Coefficient
TW	Trend Watching (Proactive Customer-Oriented Processes)



---

# 1 Introduction

*"Any company that drives forward while looking out the rear view mirror will, sooner or later, run into a brick wall [...] similarly, any company that can do no more than respond to the articulated needs of existing customers will quickly become a laggard."*

Gary Hamel and C.K. Prahalad: *Competing for the Future* (1994, p. 76)

## 1.1 Problem Orientation

The first Blockbuster store, an American-based chain of DVD and video game rental, opened in Dallas, Texas in 1985. In the following two decades Blockbuster experienced a high popularity and tremendous growth, including well known advertising campaigns during the Super Bowl. Blockbuster became a multi-billion dollar company with over 6,500 stores in the U.S. and 17 countries worldwide, and the world leader for video renting. During this time, Blockbuster scored high on customer satisfaction rankings and introduced user-based innovations, for example "special weekend packs" and "no-late-fees" pricing options. However smaller rivals like Netflix and Redbox recognized what Blockbuster had failed to - that customers' expectations were changing. Although Blockbuster conducted regular customer surveys and market tests, they were not aware that due to new technological possibilities, customers would demand more convenience, service, and value in the future. While Netflix and Redbox successfully identified these upcoming needs and provided solutions, Blockbuster failed to do so and saw significant revenue losses over the past years. Blockbuster became a laggard, and finally filed for bankruptcy on September 23, 2010<sup>1</sup>.

The case of Blockbuster points to the fact that companies which drive forward while looking out the rear view mirror will, sooner or later, run into a brick wall. Other examples of firms that suffer losses because they miss the opportunity to serve new needs of their customers include General Motors (Ketchen, Hult, and Slater 2007), Mattel (Day and Schoemaker 2005), Siemens (Ofek and Wathieu 2010) and Sony

---

<sup>1</sup>Case description is based on Blockbuster 2010; Bloomberg 2002; Halkias 2010; Mayer 2010; Munoz 2005.

(Zeithaml et al. 2006). However these firms are not alone with their problems to identify latent and future needs. A recent study of 300 organizations by Blocker et al. (2010) revealed that many firms are aware of the importance of latent and future needs. Yet most firms in the study reported minimal competencies in identifying these needs. As the example of Blockbuster emphasized, firms that do not advance beyond the traditional voice of the customer processes and thus do not excel at proactively anticipating customers' latent and future needs will find themselves at a competitive disadvantage (Zeithaml et al. 2006). Thus, this study addresses the following central research question:

*What can managers do to successfully probe latent needs and uncover future needs of customers<sup>2</sup>?*

By providing solutions to customers' needs firms are able to create superior customer value (e.g., Day 1994; Kohli and Jaworski 1990; Narver and Slater 1990) which eventually leads to business success (e.g., Belz and Bieger 2006; Day and Wensley 1988; Drucker 1993; Kotler and Keller 2008; Porter 1985; Rust, Moorman, and Bhalla 2010; Woodruff 1997). Although being responsive to customer requests plays a critical role in creating customer value (e.g., Homburg, Grozdanovic, and Klarmann 2007; Jayachandran, Hewett, and Kaufman 2004; White, Varadarajan, and Dacin 2003), a mere responsive orientation towards customers addresses only expressed needs and may lead to the innovator's dilemma (Christensen 1999; Henderson 2006). As stated by Zeithaml et al. (2006, p. 177), "it is important to recognize that customer may not know what they want, or may not be able to imagine what they may want in the future." As the example of Blockbuster emphasized, firms within the innovator's dilemma fail to serve new needs of customers or new markets. Consequently Narver, Slater, and MacLachlan (2004) stated that many businesses appear to have an incomplete understanding of what it means to be customer oriented because they concentrate on its responsive dimension and ignore its proactive dimension<sup>3</sup> (Kohli and Jaworski 1990; Slater and Narver 1998, 1999). On the contrary, firms with a proactive customer orientation address latent and emerging customer needs which may

---

<sup>2</sup> The term "customer" describes served customers as well as unserved customers of a firm through the whole work (e.g., Hamel and Prahalad 1994; Slater and Narver 1998, 1999).

<sup>3</sup> Narver et al. (2004) specify proactive and responsive market orientations as two forms of market orientation. However, the constructs they measure deal only with identifying and satisfying customers' needs and do not encompass the other traditional dimensions of market orientation. Thus, in the interest of being more precise the author utilizes the terms proactive customer orientation and responsive customer orientation (see also Blocker et al. 2010).

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lead to new opportunities for customer value (Jaworski, Kohli, and Sahay 2000; Slater and Narver 1998, 1999).

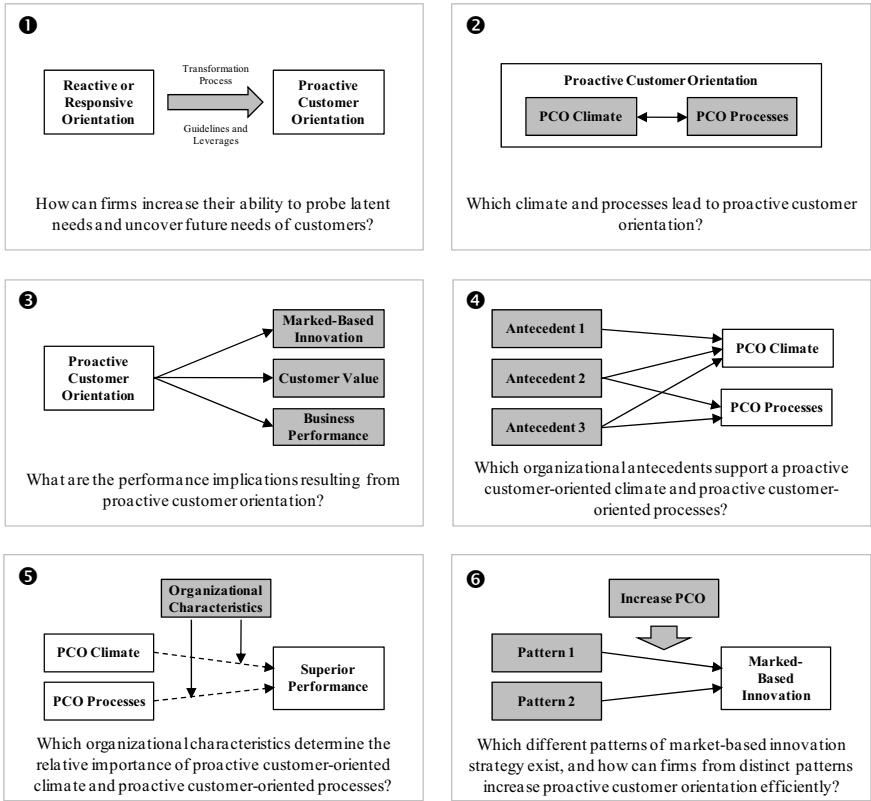
Despite its importance, many firms appear to frequently neglect or inadequately attend to this proactive dimension (e.g., Blocker et al. 2010; Day and Schoemaker 2004; Ketchen et al. 2007; Tuli, Kohli, and Bharadwaj 2007). Moreover research exploring how firms learn about and act upon customers' needs has predominantly focused on responding effectively to customers' current, expressed needs. With few exceptions (Atuahene-Gima, Slater, and Olson 2005; Blocker et al. 2010; Li, Lin, and Chu 2008; Narver et al. 2004; Tsai, Chou, and Kuo 2008), little empirical insight into the nature, consequences, antecedents, and contingency factors of proactively understanding customers' latent and future needs has been achieved. Thus, aside from the gap in managerial practice, there is also a research gap on proactive customer orientation.

## **1.2 Research Gaps and Goals of this Work**

In order to tackle the central question of what managers can do to successfully probe latent needs and uncover future needs of customers, it is necessary to break the question down into the key issues that have not been addressed by previous research. More specifically, existing research has not focused on at least six important aspects. Overall, no framework and guidelines on how firms can effectively probe latent needs and uncover future needs of their customers exist to date. Second, it remains unclear what exactly determines proactive customer orientation. Third, it lacks a comprehensive understanding of the performance implications resulting from proactive customer orientation. Fourth, little is known about organizational antecedents that support proactive customer orientation within a firm. Fifth, existing research has not investigated which organizational characteristics determine the relative importance of proactive customer orientation for market-based innovations. Finally, little is known about different patterns of strategy that may result in market-based innovations.

The objective of the present dissertation is to fill the critical research gaps related to latent and future needs with an in-depth examination of the nature, consequences, antecedents, and contingency factors of proactive customer orientation. The resulting research questions that tackle the six research gaps are displayed in Figure 1–1.

**Figure 1–1: Research Questions**



*Research Gap 1:* Academic research (e.g., Gebhardt, Carpenter, and Sherry Jr 2006; Lam, Kraus, and Ahearne 2010; Narver, Slater, and Tietje 1998) as well as more practitioner-oriented research (e.g., Day 1999a; Rust et al. 2010; Slater and Narver 1994) have already developed many detailed models to explain how firms can become more customer-oriented. However, these models focus on responding to customers' expressed needs. Little is known of how firms may systematically achieve a high level of proactive customer orientation. Hence, the first goal of this work is to develop a framework for managers, with recommendations of what they can do to probe latent needs and uncover future needs of customers.

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*Goal 1: Developing a framework and guidelines on how firms can increase their ability to probe latent needs and uncover future needs of customers.*

However, to do this successfully, firms need insights about what exactly leads to proactive customer orientation (*Research Gap 2*), the overall performance implications resulting from proactive customer orientation (*Research Gap 3*), organizational antecedents that support proactive customer orientation (*Research Gap 4*), and organizational characteristics that determine the relative importance of proactive customer-orientation (*Research Gap 5*). All these issues have not been addressed in a sufficient way. Thus, answers to these research gaps are necessary to develop a managerial roadmap towards proactive customer orientation.

*Research Gap 2:* Recent research distinguished between two dimensions of customer orientation, described as the affective organizational system ("culture") and the cognitive organizational system ("processes") (Homburg et al. 2007; Hult, Ketchen, and Slater 2005). Evidence from an in-depth examination of specialized departments for probing latent needs and uncovering future needs led to a related distinction (see Chapter 2.4 for details). Such departments have a distinct climate (affective component) and use different processes (cognitive component) than other departments that aim to satisfy current needs, for instant the marketing or sales department. One example is Moto City from Motorola, located in a distinct building apart from the rest of the company in downtown Chicago. With its open spaces and waist-high cubicles for even senior managers, the lab fostered teamwork, broke down barriers and led to a specific climate. Furthermore specific methods for market research are employed, as stated by senior director Gary R. Weiss: "*We did not want to be distracted by the normal inputs we get. It would not have allowed us to be as innovative*" (Weber, Holmes, and Palmeri 2005, p. 2). To date, however, both the climate and processes of proactive customer orientation have not been examined in detail. Consequently Blocker et al. (2010) call for more research focusing on basic firm resources, such as the knowledge, skills and values of employees and the unique types of data required that interact to comprise proactive customer orientation. Therefore, the second goal of this work is to identify what type of climate and which processes constitute proactive customer orientation.

*Goal 2: Description of the climate and processes that lead to proactive customer orientation.*