WHY DOES ENVIRONMENTAL UNCERTAINTY HAVE A MODERATING EFFECT ON MARKETING PERFORMANCE? A COMPARATIVE ANALYSIS OF INDONESIAN AND THAI SERVICE INDUSTRIES

NURYAKIN
INDAH FATMAWATI
KUMPANA T SIRIYOTA

ABSTRACT
This study examined CRM’s effect on marketing performance and customer focus strategies. It also investigates the moderating role of environmental uncertainty in the relationship between CRM and customer focus on marketing performance. A quantitative research approach was used with a sample of the service industry in two countries, Indonesia and Thailand. The analysis unit was the manager responsible for customer relations. The number of examined surveys amounted to 406, with a distribution of 200 respondents from Thailand and 206 — from Indonesia. The purposive sampling approach was used. The study results indicated that CRM had a positive effect on marketing performance and customer focus. The latter positively affected marketing performance. The study also found that environmental uncertainty strengthened the relationship between CRM and the customer focus on marketing.

KEY WORDS
CRM, customer focus, marketing performance, environmental uncertainty

INTRODUCTION
Marketing researchers state that customer relationship management (CRM) is a set of strategies used by the company to interact and manage the closeness of relationships with its customers through activities and behaviours typical of the company (Kohli & Jaworski, 1990). CRM is a superior resource (Morgan & Hunt, 1994), which can be implemented by improving the quality of customer service to impact business performance (Lebdaoui & Chetiou,
2020). CRM is the basis for maintaining and building business relations.

Diffley, McCole, and Carvajal-Trujillo (2018) developed key factors arising from the CRM process and explained that it led to superior performance. Another study found that the CRM application positively affected organisational performance from a business-to-customer (B2C) perspective in the banking sector (Ullah, Iqbal, & Shams, 2020). Customer satisfaction achieved through applying the CRM concept promoted better organisational performance in a B2C-oriented organisation. Wang and Feng (2012) confirmed that customer relationship management was integral to the internal organisational capabilities to achieve superior business performance.

According to Gomes, Yasin, and Lisboa (2009), complexity in the era of organisational competition is essential for companies to determine their strategy choices and create a business strategy model. A dynamic environment requires considering globalisation, technology-based and customer-driven competition, innovation strategy (Lestari et al., 2020), marketing capability under the uncertainty of competition, and high technological uncertainty (Parnell, 2018). Therefore, companies must be able to adapt and choose competitive customer-oriented methods to ensure their survival and develop the IT infrastructure corresponding to environmental conditions (Xue, Ray, & Gu, 2011).

Several studies on customer relationship management and business performance have been conducted since the turn of the century (Day & Van den Bulte, 2002). Changing environmental conditions affect performance in a business that is uncertain about its existence (Sofi et al., 2020). The study by W. Yu, Ramanathan, and Xingyu Wang (2018) showed that business operations capabilities were considered an important dynamic capability, positively affecting business performance.

Empirical research efforts explained how several variables reinforced CRM and improved business performance (Lebdouai & Chetioui, 2020; Rafiki, Hidayat, & Al Abdul Razzaq, 2019). Generally, empirical research regarding the influence of CRM shows that the use of intervening variables to measure marketing performance tends to mediate its relationship with CRM and has a positive effect.

Morgan and Hunt (1994) developed the commitment–trust theory and underlined a crucial need for organisations to build harmonious relationships with customers. The theory confirmed that inter-organisational cooperation must be based on mutual trust/belief, relational commitment, and the desire to cooperate in the long run. The current study aimed to provide empirical evidence of the vital role played by mediating environmental uncertainty in CRM and driving marketing performance improvement. It was expected to explain the customer mediation variable that can drive increased marketing performance, which has not yet been viewed by other researchers.

1. Literature review

1.1. Customer relationship management

Customer relationship management is an approach used by companies to acquire customers and analyse and interpret the related data to make management decisions (Ernst et al., 2010). For this purpose, a company needs to shift from product to customer orientation (Nuryakin, Widowati, & Fatmawati, 2018). Customer orientation boosts the potential to create new products and can improve the company’s new product launch performance.

The CRM concept applies to various aspects of the organisation. Mohammed and Rashid (2012) describe CRM as an organisational strategy approach to utilising its internal resources, such as technology, people, and processes, for managing customer relations in the organisational development cycle to achieve competitive advantage and organisational performance. CRM dimensions have been defined as customer orientation, CRM organisation, knowledge management, and technology-based CRM.

Several authors underlined the insufficient research on CRM as a concept. However, recent technology and information developments promoted more efforts which focused on SME and technological scope and social media (Hassan, Mohamed Haniba, & Ahmad, 2019; Rodriguez, Ajjan, & Peterson, 2014; Zablah et al., 2012). CRM is a technology-based organisational approach to managing customers under conditions of competition and global market pressure (Zablah, Bellenger, & Johnston, 2004). The adoption of the approach requires substantial financial investments in technologies. The success in building customer relations can be measured by improved marketing performance and profit growth.

Harrigan, Ramsey, and Ibbotson (2008) demonstrated that CRM is important for service-providing
companies and other SMEs as it essentially helps improve organisational performance. Relationship marketing-based SMEs may opt for the eCRM model, which provides all standard functions on the Internet. This technology includes web-based business support and uses email to manage customer contacts. Therefore, the eCRM concept is referred to as the use of Internet technology to provide and manage relationships with customers.

This study focuses on investigating the relationship between several CRM activities on marketing performance by looking at the business environment uncertainty in small- and medium-scale service industries of two countries, Indonesia and Thailand. Business activities under full uncertainty shape CRM strategies and impact business risks (K. Yu, Cadeaux, Luo, Qian, & Chen, 2018). However, it is not enough for companies to implement CRM systems as they should also consider the interaction between people and processes, which represents the extent of CRM's acceptance among the management and employees and their support for its implementation to address business issues (Bull, 2003).

In the era of globalisation, CRM adoption among companies has experienced significant growth (Kennedy et al., 2006). CRM is defined as a method for understanding customer behaviour through intensive communication to improve performance, which is reflected in attracting customers, increasing their loyalty, and business profitability.

1.2. ENVIRONMENTAL UNCERTAINTY

Environmental uncertainty has long been studied in strategic management and organisational literature. The most significant contribution was made by Dess and Beard (1984), who explored three dimensions of environmental dynamics, dynamism, munificence, and complexity, in environmental change. Dynamics refers to the volatility and uncertainty in the business environment handled by the company (Keats & Hitt, 1988). An industry with high uncertainty consequently has a more dynamic corporate strategy. Munificence implies growth opportunities in an industry (Dess & Beard, 1984) and complexity means the heterogeneity of environmental elements that a company has to handle. The greater the number of elements, the more significant the heterogeneity of corporate entities (e.g., competitors). The three dimensions represent uncertainty in the company's environment.

The environmental uncertainty in the market and rapidly changing customer needs are also dimensions of uncertainty. According to D. Zhang, Linderman, and Schroeder (2012), three main sources of market-related uncertainty include customer needs (change in demand), product/process change, and competition. When organisations operate in an environment with low market uncertainty, exploitative activities that emphasise the refinement of existing competencies lead to higher performance.

This study adds environmental uncertainty as a moderating variable in the link between CRM and marketing performance. Customer focus becomes an intervening variable. According to Zimmermann, Ferreira, and Moreira (2020), uncertainty is a strategy helping organisations achieve excellence and innovation. Kafetzopoulos, Psomas, and Skalkos (2019) added that innovation performance in organisations has three dimensions that directly contribute to business performance affected by environmental uncertainty. Environmental uncertainty cannot guarantee the success of organisational performance.

Environmental uncertainty is often driven by intense competition and unpredictability when technological advances occur. Under such environmental conditions, innovation and technologies related to the company's capabilities are more desirable and drive investments (Q. Zhang & Ma, 2021; Y. Zhang, Sun, Yang, & Wang, 2020). Constantly changing markets require companies to understand market trends and the conditions for new products and increase dynamic capabilities (Vicente, Ferasso, & May, 2018). In a fast-moving competitive environment, organisational innovation also plays an important role in achieving and maintaining a competitive advantage (Abou-Moghli, Abdallah, & Muala, 2012).

The environmental uncertainty also relates to market conditions. Market instability is characterised by rapidly changing customer needs (Wang & Feng, 2012). Several studies explain different types of environmental uncertainty, such as technological or market uncertainties, and their impact on innovation. Market uncertainty indicates changes in the composition of customer preferences. Synergy and information technology adoption make it hard to anticipate, understand and predict future market directions and competitor actions (Salojärvi et al., 2015). This study examined environmental uncertainty from a market perspective and viewed customer-related responses using a customer database.
2. HYPOTHESES DEVELOPMENT AND EMPIRICAL RESEARCH MODEL

2.1. EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON MARKETING PERFORMANCE

Management of corporate relationships with customers has a strategic role in improving organisational performance (Bull & Adam, 2009; Harrigan et al., 2008; Soliman, 2011). Some research results have proven a strong interdependence between CRM and marketing performance, while others did not support the finding (Fatmawati, Nuryakin, & Siriyota, 2021). Ata and Toker (2012) showed that CRM adoption had a significant positive effect on organisational satisfaction and performance in establishing business-to-business relationships. CRM adoption was also found to affect organisational marketing performance significantly but not financial performance. This study also showed that improved customer satisfaction led to better organisational performance in B2B enterprises.

Mohammad et al. (2013) tested CRM dimensions — customer orientation, CRM organisation, knowledge management, and CRM-based technology — against research results. Customer orientation, CRM organisation, and knowledge management positively affected organisational performance from various financial perspectives and had a beneficial effect on customers and internal processes. Meanwhile, Nejatian, Sentosa, and Piaralal (2011) revealed that customer knowledge as an exogenous variable influenced CRM performance as an endogenous variable and, ultimately, improved company performance. In general, performance can be measured by financial performance using such indicators as profit growth, assets, working capital, sales growth and sales flow (Hindasah & Nuryakin, 2020).

CRM has become an essential concept in improving the hospitality industry's performance (Mohammed & Rashid, 2012). The concept has become essential and prevalent for academics and business practitioners. This study found that the CRM concept is an essential part of improving business performance in the hospitality industry.

It also explained the vital role of marketing capabilities in mediating the relationship between CRM and performance. Becker, Greve, and Albers (2009) found that if supported by stakeholders, the CRM implementation impacts performance.

Based on the empirical research results, a hypothesis can be formulated as follows: Hypothesis 1: CRM has a positive effect on marketing performance.

2.2. EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER FOCUS

Information technology diffusion concepts, such as CRM systems and social media, can create and enhance the managers' understanding of interacting with customers in the digital age (Lipiainen, 2015). Sales performance can be affected by social media presence and customer orientation. Mohammad et al. (2013) scrutinised the impact of CRM dimensions — customer orientation, CRM organisation, knowledge management, and CRM-based technology — on organisational performance from various perspectives, including finance, customers, internal processes, learning, and organisational growth. The results indicated that customer orientation, CRM organisation, and knowledge management had a positive effect on organisational performance from various financial perspectives and had a beneficial effect on customers and internal processes.

The CRM concept was also indicated as fundamental in the assessment of India's banking performance, measured by customer satisfaction (Fatma, 2012). CRM implementation is critical for banking supervisors to understand customers and foster long-term relationships under increasingly fierce competition in India's banking industry. CRM can be used as a corporate strategy to communicate and interact with customers and analyse a company's customer orientation (Nuryakin & Sugiyarti, 2018).

Based on the empirical research results, a hypothesis can be formulated as follows: Hypothesis 2: CRM has a positive effect on customer orientation.

2.3. EFFECT OF CUSTOMER ORIENTATION ON MARKETING PERFORMANCE

Customer orientation enhances performance (Sampaio, Hernández-Mogollón, & Rodrigues, 2019). CRM adoption demonstrates a significant influence on marketing performance (Ullah et al., 2020). It is important for companies that build business interaction patterns to manage customer satisfaction (Theophilus et al., 2021). Financial sector companies, such as banks, consider CRM — customer orientation, organisational efficiency, and customer knowledge
management — to have a strategic role (Soliman, 2011). According to Soliman (2011), there is a positive relationship between CRM and marketing performance.

Hormiga, Batista-Canino, and Sánchez-Medina (2011) explored the effect of customers and suppliers, the informal network, and the company’s reputation on the success of the company’s performance. Businesses can use networking and build relationships to enhance performance (Farida & Nuryakin, 2021). The relational capital and its customer and supplier relation dimensions significantly correlate with the success of the company’s performance.

Based on the empirical research results, a hypothesis can be formulated as follows: Hypothesis 3: Customer orientation has a positive effect on marketing performance.

2.4. **ENVIRONMENTAL UNCERTAINTY AS A MODERATING FACTOR IN THE INTERDEPENDENCE OF CRM AND MARKETING PERFORMANCE**

The dynamic business environment requires companies to switch their orientation from products to customers (Nejatian et al., 2011). CRM is a way to do so. Nejatian et al. (2011) confirmed that customer knowledge as an exogenous variable influenced CRM performance as an endogenous variable and, ultimately, improved company performance.

CRM has become an essential concept in improving the hospitality industry’s performance (Mohammed & Rashid, 2012). The concept has become essential and prevalent for academics and business practitioners. This study also found that CRM plays an important part in improving business performance in the hospitality industry. It also explained the vital role of marketing capabilities in mediating the interdependence between CRM and performance.

CRM is an approach used by companies to acquire customers and analyse and interpret related data to make management decisions (Ernst et al., 2010). The approach requires a company to shift its orientation from products to customers. Customer orientation boosts the potential to create new products and can improve the company’s new product launch performance.

Based on the empirical research results, hypotheses can be formulated as follows:

Hypothesis 4a: Environmental uncertainty moderates the CRM’s impact on marketing performance.

Hypothesis 4b: Environmental uncertainty moderates the customer orientation impact on marketing performance.

The hypotheses can be presented as an empirical research model (Fig. 1).

3. **RESEARCH METHODS**

The used study design was developed to build an empirical model based on an in-depth theoretical study related to the influence of CRM and customer orientation and their ability to improve marketing performance. The research described in this paper could be classified as basic (fundamental) research.

3.1. **RESEARCH SAMPLES**

The study findings were tested in the service industries of two countries, Indonesia and Thailand. The sector was chosen because of various characteris-
tics that fit the theme of this study theoretically and empirically. These particular service industries are characteristic of close relationships with customers. The study sample included 412 Indonesian and Thai enterprises, including hotels and retail businesses, travel agents, spas, massage and beauty salons, private universities, banks, hospitals and health service providers, insurance companies, communication and transport service providers, and logistics operators.

The technique used was purposive sampling, based on specific objectives. Using this technique, not all study populations had the same opportunity as the study sample.

3.2. OPERATIONAL VARIABLES AND MEASUREMENT SCALE

This study used four variables: customer relationship management, customer orientation, marketing performance, and environmental uncertainty. Table 2 explains the research construct measurement and item adoption.

CRM is an organisational strategy for utilising internal resources, such as technology, people, and processes, to manage customer relations in the cycle of organisational development to achieve competitive advantage and organisational performance. Marketing performance measures the company's results achieved by marketing activities or other company operations.

Customer orientation refers to the company's efforts to deal with dynamic customer demands and respond to them quickly. Meanwhile, environmental dynamics concerns changes in environmental conditions resulting from increasingly uncertain external factors. The construct was measured using a five-point Likert scale (1 — strongly disagree to 5 — strongly agree).

3.3. RESEARCH DESIGN AND UNIT ANALYSIS

This study used a quantitative approach and examined the causality of exogenous and endogenous constructs. The sample included different companies from Indonesia and Thailand, including:

- Hospitality businesses,
- Trade and retail enterprises,
- Travel agents,
- Spas, massage and beauty salons,
- Banks,
- Private universities,
- Hospital and health service providers,
- Insurance companies,
- Communication and services providers,
- Logistics and transportation service providers.

The sample of 406 respondents was collected using a questionnaire directly supplied to respondents from Indonesia (206) and Thailand (200).

The screening and trimming results showed that only 347 samples met the study qualifications. The

<table>
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<tr>
<th>CONSTRUCT</th>
<th>INDICATOR/ITEM</th>
<th>AUTHORS</th>
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<tbody>
<tr>
<td>CRM</td>
<td>• Use an information system to collect data from customers (CRM1),</td>
<td>Sin, Tse, and Yim (2005); Mohammed and Rashid (2012); Reinartz, Krafft, and Hoyer (2004)</td>
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<tr>
<td></td>
<td>• Technology infrastructure for acquiring data from customers (CRM2),</td>
<td></td>
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<td></td>
<td>• Technical ability to quickly adopt new methods and information (CRM3),</td>
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<td></td>
<td>• The ability to integrate customer data (CRM4)</td>
<td></td>
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<tr>
<td>Customer orientation</td>
<td>• Focus on customer satisfaction (CO1),</td>
<td>Thoumrungroje (2010); Kim, Park, and Dubinsky (2012); Hong-kit Yim, Anderson, and Swaminathan (2004)</td>
</tr>
<tr>
<td></td>
<td>• Understanding the customer characteristics (CO2),</td>
<td></td>
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<td></td>
<td>• Commitment to fulfilling varied customer demands (CO3),</td>
<td></td>
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<td></td>
<td>• Maintaining customer trust (CO4)</td>
<td></td>
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<tr>
<td>Environmental</td>
<td>• Market conditions are uncertain (EU1),</td>
<td>Parnell, Lester, and Long (2012); Keats and Hitt (1988); Parnell, Long, and Lester (2015); K. Yu et al. (2018)</td>
</tr>
<tr>
<td>uncertainly</td>
<td>• Current information technologies must be able to adapt quickly (EU2),</td>
<td></td>
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<tr>
<td></td>
<td>• Competition promotes integrated information systems (EU3),</td>
<td></td>
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<tr>
<td></td>
<td>• Competition promotes response to customer complaints (EU4)</td>
<td></td>
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<tr>
<td>Marketing performance</td>
<td>• Increase in company income over the past three years (MP1),</td>
<td>Sin et al. (2006); Lampri- nipoulou and Tregear (2011); Nuryakin and Ardyan (2018)</td>
</tr>
<tr>
<td></td>
<td>• Increase in the number of customers over the past three years (MP2),</td>
<td></td>
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<td></td>
<td>• Increase in the market share over the past three years (MP3),</td>
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<tr>
<td></td>
<td>• Decrease in the number of customer complaints over the past three years (MP4)</td>
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</table>
sampling technique was conducted using purposive sampling.

4. RESEARCH RESULTS

4.1. VALIDITY AND RELIABILITY TESTING

The instrument’s validity and reliability were tested using SPSS by looking at loading factor values on each instrument’s rotated component matrix. The validity test results showed that each value had a loading factor > 0.6, indicating statistical validity. The reliability test results are given in Table 2.

Hypotheses were tested using statistical testing with a structural equation modelling approach. The moderating regression testing used the SPSS program. The regression moderation tested is explained in Table 3. The results of hypothesis testing can be explained as provided in Fig. 2.

<table>
<thead>
<tr>
<th>HYPOTHESIS</th>
<th>STANDARDISED PATH COEFFICIENTS</th>
<th>t VALUE</th>
<th>PROB.</th>
<th>RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>CRM → marketing performance</td>
<td>0.156</td>
<td>1.832</td>
<td>0.067</td>
</tr>
<tr>
<td>H2</td>
<td>CRM → customer orientation</td>
<td>0.440</td>
<td>5.432</td>
<td>0.000</td>
</tr>
<tr>
<td>H3</td>
<td>Customer orientation → marketing performance</td>
<td>0.788</td>
<td>6.489</td>
<td>0.000</td>
</tr>
<tr>
<td>H4a</td>
<td>CRM *environment uncertainly → marketing performance</td>
<td>0.586</td>
<td>8.505</td>
<td>0.000</td>
</tr>
<tr>
<td>H4b</td>
<td>Customer focus *environment uncertainly → marketing performance</td>
<td>0.530</td>
<td>7.350</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Notes: * p, 0.10; ** p, 0.05 and *** p, 0.01; the standardised coefficients are reported with the t-values in parentheses.
Table 3 provides statistical test results for Hypothesis 1 that tested the CRM’s effect on marketing performance. It shows the results for the regression coefficient value of the CRM’s effect on marketing performance, as indicated by the value $t = 1.832 > 1.66$, with a significance value of $0.067 < 0.10$. These results indicate that CRM had a positive effect on marketing performance. Hypothesis 1 was accepted.

Table 2 gives test results for Hypothesis 2, which investigated the relationship between CRM and customer orientation. It presents the results for the regression coefficient value of the relationship between CRM and customer orientation, as indicated by the value $t = 5.432 > 1.66$, with a significance value of $0.000 < 0.10$. These results indicate that CRM had a positive effect on customer orientation. Hypothesis 2 was accepted.

Table 2 also gives test results for Hypothesis 3, which examined the effect of customer orientation on marketing performance. It shows the results for the regression coefficient value of the relationship between customer orientation on marketing performance, as indicated by the value $t = 6.489 > 1.66$, with a significance value of $0.000 < 0.10$. These results indicate that customer orientation had a positive effect on marketing performance. Hypothesis 3 was accepted.

Hypothesis 4a explained the CRM’s effect on marketing performance with environmental uncertainty as a moderating variable. The result of regression moderation testing of the CRM’s effect on marketing performance with environmental uncertainty revealed a value $t = 8.505 > 1.66$, with a significance value of $0.000 < 0.10$. These results suggest that environmental uncertainty strengthened the CRM’s effect on marketing performance. Hypothesis 4a was accepted.

Hypothesis 4b explained the relationship between customer orientation and marketing performance with environmental uncertainty as a moderating variable. The result of regression moderation testing of the relationship between customer orientation and marketing performance with environmental uncertainty disclosed a value $t = 7.350 > 1.66$, with a significance value of $0.000 < 0.10$. Based on the results, environmental uncertainty strengthened the relationship between customer orientation and marketing performance. Hypothesis 4b was accepted.

5. DISCUSSION

The research indicated that CRM had a positive effect on marketing performance. These results correspond to findings by Mohammad et al. (2013) that customer orientation, CRM organisation, knowledge management, and CRM-based technology had a positive effect on performance. Nejatian et al. (2011) also confirmed a positive CRM’s influence on company performance. This study’s results are also consistent with research that found the relationship between customer satisfaction and performance (Lebdaoui & Chetioui, 2020; Yang & Yen, 2018) and in line with research findings regarding a strategic role played by CRM through customer orientation, organisational efficiency, and customer knowledge management (Soliman, 2011).

Based on the current study results, CRM has a positive effect on customer orientation, which is in line with findings by Mohammad et al. (2013), stating that customer orientation and CRM-based technology have a positive effect on organisational performance. This study also found that customer orientation has a positive effect on marketing performance, which is also in line with the study by Zhu and Nakata (2007) explaining the importance of customer orientation and the findings by Soliman (2011).

The study results also support findings by Nejatian et al. (2011), claiming the influence of customer knowledge as an exogenous variable on CRM performance. In a dynamic environment, businesses are required to produce product innovations and shift to customer orientation (Nejatian et al., 2011). Customer relationship management is an approach that helps companies in their relations with customers and gathering of related information, analysing it and translating organisational knowledge into managerial decisions (Ernst et al., 2010).

CONCLUSION

This research empirically contributes to the CRM’s influence on customer orientation and marketing performance. Also, it proves the mediating role of customer orientation in improving marketing performance and provides other empirical evidence on the concept of moderating environmental uncertainty variables and their role in strengthening the effect of CRM and customer orientation on marketing performance.

The study results explain that if an organisation develops long-term relations with customers, they enhance marketing performance. Therefore, organisations must seek to develop customer-focused strategies that lead to enhanced marketing performance.
Although the environment is uncertain, long-term relations with customers and customer-focused strategies are important factors for enhancing marketing performance.

**IMPLICATIONS AND RECOMMENDATIONS**

The results of this study provide practical implications and theoretical consequences. There are two managerial implications in this study. First, organisations should focus on building long-term relations with customers. Such relations result in customer loyalty and commitment under uncertain business conditions. Also, organisations need to shift to customer orientation through trust and commitment to customers. This strategy enhances organisational performance. Second, a customer-focused strategy becomes important in enhancing marketing performance. An organisation must emphasise customer satisfaction, focus on understanding customer characteristics and create a value-based relationship that offers a strong commitment to customers.

This study provides valuable recommendations for future research, including the need to develop a more comprehensive empirical research model on the characteristics of the service industry in the same scope, such as the trade sector, the retail sector, and the hospitality sector. It is recommended to be more selective in choosing respondents, given the characteristics of the respondents are very heterogeneous, to allow a biased response.

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**LITERATURE**

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