

Emerald Insight



Journal of Services Marketing

The antecedents of strategic pricing and its effect on company performance in the case of industrial service firms

Kostis Indounas

Article information:

To cite this document:
Kostis Indounas , (2014),"The antecedents of strategic pricing and its effect on company performance in the case of industrial service firms", Journal of Services Marketing, Vol. 28 Iss 5 pp. 402 - 413
Permanent link to this document:
http://dx.doi.org/10.1108/JSM-02-2013-0031

Downloaded on: 03 September 2014, At: 01:30 (PT)
References: this document contains references to 52 other documents.
To copy this document: permissions@emeraldinsight.com

Users who downloaded this article also downloaded:

, (2014),"Executive summary of "The antecedents of strategic pricing and its effect on company performance in the case of industrial service firms"", Journal of Services Marketing, Vol. 28 Iss 5 pp. -

Kostis Indounas, (2009),"Successful industrial service pricing", Journal of Business & Industrial Marketing, Vol. 24 Iss 2 pp. 86-97

Kostis Indounas, George Avlonitis, (2011),"New industrial service pricing strategies and their antecedents: empirical evidence from two industrial sectors", Journal of Business & Industrial Marketing, Vol. 26 Iss 1 pp. 26-33

Access to this document was granted through an Emerald subscription provided by 384482 []

For Authors

If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service information about how to choose which publication to write for and submission guidelines are available for all. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com

Emerald is a global publisher linking research and practice to the benefit of society. The company manages a portfolio of more than 290 journals and over 2,350 books and book series volumes, as well as providing an extensive range of online products and additional customer resources and services.

Emerald is both COUNTER 4 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

*Related content and download information correct at time of download.

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

The antecedents of strategic pricing and its effect on company performance in the case of industrial service firms

Kostis Indounas
Department of Marketing and Communication, Athens University of Economics and Business, Athens, Greece

Abstract
Purpose – The purpose of this research paper is to examine the impact of a number of variables on the adoption of strategic pricing by industrial service firms, and the effect of this adoption on company performance.
Design/methodology/approach – Data were collected from 301 industrial service firms operating in seven different service sectors through a mail survey. Moreover, qualitative research through 35 in-depth interviews was conducted.
Findings – The findings reveal that market orientation and market growth boost the development of strategic pricing. On the other hand, technological and market turbulence hinder this development, while the overall impact of turbulence is reduced in market-oriented firms. Finally, strategic pricing has a positive impact on company performance in both quantitative and qualitative terms.
Research limitations/implications – The adoption of strategic pricing requires attention to a variety of company- and market-related factors, while this adoption can improve various aspects of company performance. The addition of other moderating and mediating effects could certainly provide additional insights.
Originality/value – The current study represents one of the first attempts to empirically examine the above topics in an industrial service context.

Keywords Company performance, Industrial services, Antecedents, Strategic pricing

Paper type Research paper

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

An executive summary for managers and executive readers can be found at the end of this issue.

Introduction

One of the most difficult decisions facing companies providing industrial services is how to price these services in the markets that they operate (Morris and Fuller, 1989). A review of the existing literature on industrial service pricing reveals a number of studies that have focused on issues such as how new industrial services are priced (Indounas and Avlonitis, 2011), the aspects of the pricing process that lead to successful pricing (Indounas, 2009), the pricing process in specific contexts such as the construction industry (Akintoye and Skitmore, 1992) and the information technology industry (Grunenwald and Vernon, 1988).

However, there seems to be a lack of relevant empirical studies on the strategic aspects of price decision making within industrial service firms, despite the fact that a number of different authors have underlined, regardless of the context of operation, the importance of treating pricing decisions from a strategic perspective if effective pricing decisions are to be made. For instance, Sainio and Marjakoski (2009) argue that price determination is not an operational issue but a strategic-level concept that needs to be connected to business strategy. Smith (1995, p. 37) postulates that "a fundamental advantage to adopting a strategic pricing orientation is that pricing decisions are viewed as policy decisions with long-term consequences on strategic performance and competitive advantage". Similarly, Nagle and Holden (2001) have suggested that a strategic view of pricing facilitates the integration of pricing strategy within the overall marketing and corporate strategy and, thus, the determination of prices that reflect the company's overall objectives.

Nagle and Holden (2001) also argue that, from a managerial perspective, the adoption of a strategic perspective toward pricing decisions leads to better financial results. Strategic pricers realize increased profitability because they tend to avoid myopic pricing practices such as very low prices that may increase sales temporarily but might lead to unnecessary price wars that could jeopardize their market's climate in the long run. Moreover, treating pricing as a strategic tool can lead to sustainable competitive advantage that competitors cannot easily copy.

Given the lack of empirical studies on the one hand and the importance of strategic pricing on the other, as analyzed above, the current paper tries to contribute to this under-researched area of concern by providing insights regarding the adoption of strategic pricing in an industrial service context. The decision to examine strategic pricing in the specific context was also triggered by the nature of industrial services, as described by

The current issue and full text archive of this journal is available at **www.emeraldinsight.com/0887-6045.htm**

Journal of Services Marketing
28/5 (2014) 402–413
© Emerald Group Publishing Limited [ISSN 0887-6045]
[DOI 10.1108/JSM-02-2013-0031]

Received 4 February 2013
Revised 1 July 2013
Accepted 15 September 2013

Journal of Services Marketing
Volume 28 · Number 5 · 2014 · 402–413

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

Morris and Fuller (1989). More specifically, the specific authors define industrial services as that kind of services that tend to be non-convenience-type services; are transportable; are usually brought to the customer; involve customer contact in delivery; are not conducive to mass production or mass marketing; involve expensive equipment but also tend to be people-intensive; involve customers with more precise service-level expectations; involve a fairly formal buying process and longer-term, ongoing relationships with service providers; and demonstrate demand patterns that are somewhat more stable and predictable. Given the above characteristics, the same authors argue that pricing decisions can hardly go without a detailed planning procedure and an effort to place the emphasis on the long-term consequences of any pricing decision. To this end, it is to be expected that a strategic perspective and orientation toward these decisions will lead to more effective pricing programs and results.

Building from the above arguments, the present research sets out to investigate the adoption of strategic pricing in an industrial service context by intending to:

- measure the extent to which selected contextual variables have an impact on this adoption; and
- determine the effect of this adoption on company performance.

The focus on a number of variables that are expected to have an impact on strategic pricing is in line with a previous study conducted by Tzokas *et al.* (2000). In particular, the specific authors examined the antecedents of strategic pricing in an export industrial product context. Moreover, the need to examine the impact of strategic pricing on company performance is derived from the fact that only normative arguments have been developed within the existing literature regarding the potential benefits that a company could have after adopting the principles of strategic pricing. However, an empirical validation of the impact of strategic pricing on company performance is still lacking.

Conceptual framework and research hypotheses

The concept of strategic pricing

A number of different authors maintain that industrial service pricing is a highly complicated issue (Akintoye and Skitmore, 1992; Schau *et al.*, 2005). To this end, industrial service firms should move away from simplified cost-based pricing formulas and place their emphasis on adopting a balanced approach when levying their prices by, on the one hand, treating pricing decisions from a market point of view and, on the other hand, not disregarding financial consideration (Indounas, 2009). This reconciliation among market-related information (e.g. customer reactions to different price levels, competitors' prices and potential actions) and company-related information (e.g. costs, profits, sales), when making pricing decisions, requires treating pricing decisions from a more strategic perspective and examining their long-term consequences rather than treating them as a short-term weapon to gain competitive advantage.

A review of the existing literature reveals the lack of either a theoretical or empirical description of strategic pricing in an industrial service context. Smith's (1995) concept of "managerial pricing orientation" is a useful starting point for defining strategic pricing. The managerial pricing orientation is delineated as:

> [. . .] the pattern of policies, activities, and behaviors that business units typically engage in with regard to information gathering and processing; objectives, decision rules and beliefs; organizational decision processes; and organizational responsiveness relating to setting or changing price (p. 29).

Additionally, Nagle and Holden (2001) describe the notion of proactive pricing and set a number of criteria on the basis of which a company can be characterized as a proactive pricer. These criteria relate, among others, to replacing sales goals with profit goals when determining prices, seeking competitive advantage rather than market share, communicating the value that customers attach to a product and taking into account only those costs that relate directly to a specific pricing decision (i.e. incremental unavoidable costs). Strategic orientation of price management seems to relate to a systematic planning process where price decision making is derived from the overall corporate goals and strategy and is strongly associated with the company's marketing strategy.

Based on the above arguments and especially those made by Smith (1995), Tzokas *et al.* (2000) provide an empirically derived operationalization for strategic pricing. Its premises rely on:

- placing equal importance to pricing decisions when compared with firm's other decisions (e.g. new product development, advertising);
- monitoring the existing prices regularly;
- determining final prices through a systematic planning process; and
- paying attention to pricing decisions on a continuous basis.

Within this context, pricing is regarded as a task of similar equity to other tasks in the firm, while price determination and reviewing is undertaken through a formalized planning process on a regular basis rather than as a response to *ad hoc* situations.

Adopting the above definition of strategic pricing, the current research aims to investigate its antecedents along with its effect on company performance in an industrial service context. Figure 1 presents the conceptual framework of the research where strategic pricing is treated as a dependent measure and is related to a set of contextual variables, which may shape the extent to which it is adopted by industrial service firms. The conceptual framework treats also strategic pricing as an independent variable to determine its impact on company performance.

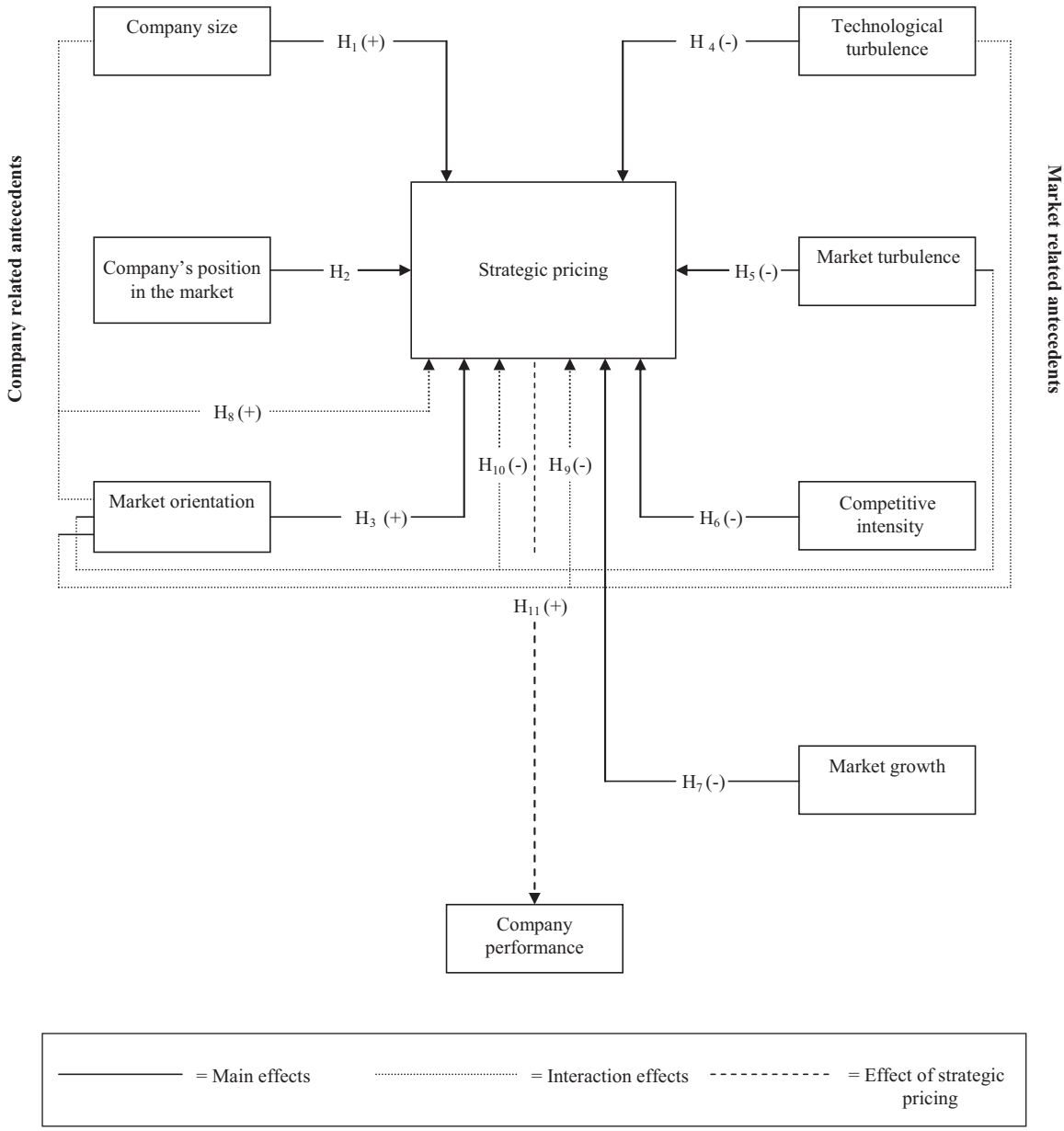
Antecedents of strategic pricing

In regard to the antecedents of strategic pricing, it needs to be clarified that exhaustiveness cannot be claimed, as the conceptual framework does not include all different contextual variables that may assume a role. An effort was made to take into account common variables that have proved to shape firms' corporate strategy in general and pricing strategy in particular. Some of them are company-related in that they can be controlled by the firm (e.g. market orientation), while others cannot be controlled and relate to the market in which the firm operates (e.g. competitive intensity).

Company-related antecedents

Company size. It is to be expected that, as an industrial service firm grows larger, prices will be determined on the basis of a more systematic approach. For instance, unlike

Figure 1 Conceptual framework



smaller firms, pricing decisions may be made through a wider cross-functional collaboration and coordination and not be the sole responsibility of top management. Also, previous studies have shown that small service firms tend to rely on simplified cost-based pricing methods without paying particular attention to market-based factors that may affect their final prices. Moreover, they tend to have an opportunistic short-term perspective toward price decision making (Goetz, 1985; Hankinson, 1985). On the other hand, as Avlonitis and Indounas (2005) have suggested, large service companies are expected to rely on a more balanced approach that pays attention to both market- and company-related information, incorporates pricing strategy to the overall marketing and corporate strategy and examines its long-term consequences. Furthermore, as organizations increase in size and tend to become more mechanistic and place more emphasis on prescribed practices (Sutcliffe and McNamara, 2001), it is to be expected that they will monitor their prices more regularly and continuously than smaller firms. Thus, it seems that as an industrial service firm grows larger, it has more potentiality to adopt and apply the principles of strategic pricing. Therefore:

H1. Company size is related positively to the adoption of strategic pricing.

Company's position in the market. The relationship between the company's position in the market and its impact on any aspect of the pricing strategy has not been examined empirically so far. Following the classification put forward by Kotler and Keller (2008), a company can be a leader, challenger, follower or nicher in the market in which it operates. Leaders set the rules of the game and determine the

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

average level of prices in the market, whereas followers imitate leaders' initiatives. Challengers seek to gain market share from leaders, while nichers target a small market segment or offer specialized products. To this end, the main differences in terms of the adoption of strategic pricing are expected to be found among leaders and the other types of industrial service firms. More specifically, leaders are expected to have a proactive attitude toward pricing and view strategic pricing as a tool that is in line with their overall pricing strategy, while followers are expected to have a reactive approach and not adopt the principles of strategic pricing. Also, while challengers and nichers may also apply these principles, leaders are expected to adopt strategic pricing to a greater extent. Thus:

H2. Company's position in the market accounts for differences in the level of adoption of strategic pricing; leaders are expected to adopt strategic pricing to a greater extent than the other types of companies.

Market orientation. According to Narver and Slater (1990), market orientation involves the three key dimensions of customer orientation, competitor orientation and inter-functional coordination. The concept of market orientation refers to a philosophy whereby a firm coordinates the activities of all functional areas toward a better understanding of customer and market needs, with the ultimate purpose of creating and sustaining superior customer value (Narver and Slater, 1990). Jaworski and Kohli (1993) define market orientation as a multidimensional concept that involves intelligence generation, intelligence dissemination and responsiveness. Empirical research has shown that firms adopting it have a greater potential to perform better than firms not adopting it (Im and Workman, 2004). On a twofold rationale, a positive relationship between market orientation and strategic pricing in industrial service markets is expected. First, firms adopting market orientation tend to plan and evaluate all managerial activities with a more long-term perspective (Kohli and Jaworski, 1992; Narver and Slater, 1990), which is a necessary ingredient for the adoption of strategic pricing. Second, empirical evidence shows that market-oriented industrial firms tend to view and implement pricing in a significantly more strategic and long-term manner, than non-market-oriented rivals (Tzokas *et al.*, 2000). Given the fact that strategic pricing is considered to be a good business practice, it is to be expected that all the above dimensions of market orientation as defined either by Jaworski and Kohli (1993) or Narver and Slater (1993) will have a positive impact on the four dimensions of strategic pricing (i.e. importance of pricing compared to other managerial activities, continuous monitoring of prices, planning of prices, top management's attitudes). To this end, the following hypothesis can be formulated:

H3. Market orientation facilitates the adoption of strategic pricing.

Market-related antecedents

Environmental turbulence. The turbulence relating to an industrial service firm's environment is expected to have a negative effect on the adoption of strategic pricing. Following the classification put forward by Moorman and Miner (1997, p. 96) turbulence is divided into *technological turbulence* and *market turbulence*.

> Technological turbulence refers to the degree of change associated with new product technologies, while market turbulence is the rate of change in the composition of customers and their preferences [. . .] . Both types of turbulence impose difficulties in an organization's survival in the long-run and [. . .] have a disruptive effect on the ability to plan its activities strategically.

Thus, both technological and market turbulence are expected to be an impediment to following the principles of strategic pricing. For instance, technological turbulence is likely to reduce firm's familiarity with existing industrial services (in terms of costs, competitive prices or value that customers attach to them), given the fact that these services may be easily surpassed by new ones. Similarly, market turbulence may lead some industrial service firms to lower prices to gain short-term financial benefits. Moreover, it may lead other firms to exit the market and, while exiting the market, pricing patterns with a short-term perspective may be followed. To this end:

H4. Technological turbulence is related negatively to the adoption of strategic pricing.

H5. Market turbulence is related negatively to the adoption of strategic pricing.

Competitive intensity. Competitive intensity relates to the existence of many competitors who offer undifferentiated services in the market (Diamantopoulos, 1991). Customers' inability to identify real differences among the alternative competing offerings may lead to frequent price cuts. Price discounting (whether explicit or in the form of rebates, coupons or payment terms) is a common practice in competitive markets with an outmost goal to enhance temporary sales and profits (Nagle and Holden, 2001). However, such practices may not be a strategic move because competitors can easily copy them, and there is a danger of price wars in the long-run, while even loyal price-insensitive buyers may turn to cheaper alternatives. Thus, it is to be expected that competitive intensity may hinder the adoption of strategic pricing. The above arguments are reinforced by the fact that an increasing number of service sectors are rather competitive nowadays (Sampson, 2012), suggesting that the adoption of strategic pricing might not be an easy task. To this end, it is postulated that:

H6. Competitive intensity is related negatively to the adoption of strategic pricing.

Market growth. The growth of a market is expected to have an impact on the decision to adopt strategic pricing or not. For instance, it is to be expected that the principles of strategic pricing are very hard to flourish in stagnant or mature industrial service markets, as the fierce competition that companies face in such markets may leave them no other option than to treat pricing from a tactical point of view. To this end, price promotions and reductions or even price wars are common in such markets (Nagle and Holden, 2001). Also, empirical evidence shows that industrial firms operating in growing markets have the propensity to adopt novel marketing practices (Avlonitis and Gounaris, 1999). The same argument has been supported by authors such as Zeithaml *et al.* (2006)

Journal of Services Marketing
Volume 28 · Number 5 · 2014 · 402–413

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

regarding the ability of service firms that operate in growing markets to adopt more sophisticated marketing techniques. Given the fact that strategic pricing is considered to be a novel marketing practice, pricing decisions have a greater potential to be perceived from a strategic perspective and be made on the basis of a broader integrated and cohesive marketing strategy in growing markets. Therefore:

H7. Market growth boosts the adoption of strategic pricing.

In line with the above main effects, interaction effects among some of the aforementioned variables may be expected. More specifically, a positive effect of both market orientation and company size on the adoption of strategic pricing has been proposed given the fact that, as Avlonitis and Gounaris (1999) have suggested, large industrial firms tend to adopt market orientation to a greater extent than small firms. Moreover, large service firms have the tendency to conduct their pricing activities in a more systematic way than small firms (Avlonitis and Indounas, 2005). Thus, a synergy between these two characteristics is expected to lead to the adoption of strategic pricing. To this end, the following research hypothesis can be formulated:

H8. The larger the firm, the stronger the effect of market orientation on the adoption of strategic pricing.

Also, given the systematic and orderly way of decision making that characterizes market-oriented firms, it might be reasonable to postulate that turbulence in the market may not have such a strong effect in these firms. Thus, the (perhaps permanent) turbulent conditions facing their markets may not alter their way of decision making and lead to price initiatives (e.g. price wars) that are not in line with the principles of strategic pricing. These arguments are in line with the suggestions made by authors such as Avlonitis and Indounas (2004) regarding the fact that a destabilized market environment may lead service firms to formulate pricing objectives that are mainly short-term-oriented and seek temporary financial benefits. Therefore, it is postulated:

H9. The stronger the market orientation, the weaker the effect of technological turbulence on the adoption of strategic pricing.

H10. The stronger the market orientation, the weaker the effect of market turbulence on the adoption of strategic pricing.

The impact of strategic pricing on company performance

Strategic pricing is expected to be a "good" business practice that improves price decision making in the long run. Given the fact that effective price setting has long been recognized as one of the marketing tools that can have a positive impact on marketing performance specifically and company performance in general (Diamantopoulos, 1991; Hinterhuber, 2004; Myers *et al.*, 2002; Narayandas *et al.*, 2000), it is to be expected that:

H11. The adoption of strategic pricing has a positive impact on company performance.

Research methodology

Selection of industry sectors and population of the study

The study was conducted in Greece. The decision to focus on this country as the context of the study was triggered by the suggestions made by authors such as Avlonitis and Indounas (2004). These authors argued that the vast majority of empirical research in the field of pricing has been conducted within developed countries such as USA and UK. On the other hand, there seems to be a lack of similar research within less developed countries with difference structural and environmental characteristics. To this end, it would be interesting to investigate whether a number of key pricing constructs that have been formulated and tested within more developed countries can be also applied in less developed countries such as Greece.

With a view to broadening the generalizability of the findings, a cross-industry population was included, which included seven primary sectors, namely, *logistics companies*, *financial services providers*, *information technology companies*, *professional services providers* (*e.g. lawyers*, *consulting companies*), *airlines*, *hotels and ship repair companies*. The above sectors were chosen on the rationale that they all represent major sectors of the Greek economy in terms of importance to the national economy, capital employed and manpower occupation. According to ICAP's Directory (Gallup's subsidiary in Greece), which was used as the sampling frame of the research, the total population of the study consisted of 2,346 companies.

Field interviews

Thirty-five personal in-depth interviews were conducted with senior executives, who had the responsibility for setting prices within their firms, from an equal number of firms in the four sectors of our study (five interviews per sector). Manager interviewees were asked open-ended questions regarding the domain of strategic pricing. Those questions incorporated conceptual insights from the literature, which helped the design of the study's main questionnaire and the choice of the appropriate contextual variables of the study (Stewart and Cash, 1988). Regarding the decision to conduct five interviews per sector, it was based on the suggestions made by authors such as Mason (1996) and Maycut and Morehouse (1997). In particular, when conducting qualitative research through personal in-depth interviewees, there is no a priori optimum number of interviews. The researcher should terminate the interviews when a saturation point has been reached where no more useful information can be gained. When it comes to the present study, it was felt than no more information is gained after these 35 interviews.

Questionnaire development and pre-testing

The data collection instrument was a structured questionnaire, designed to be self-administered. Prior to the full-scale data collection, the questionnaire was pre-tested with senior academics specializing in pricing, and with the 20 managers who participated in the field interviews to increase its validity (Malhotra and Birks, 2003).

These two groups of pilot respondents provided their comments (concerning mainly the sequence of questions) and the instrument was revised accordingly.

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

Sampling, data collection and response rate

A requested sample of 1,500 companies was set, and the selection process was based on a proportionate stratified random sample. A requested sub-sample size per sector (stratum), in direct proportion to each stratum's relative size in the parent population, was determined. Using a table of digits, a random sample of companies from each stratum was selected (Levy and Lameshow, 1999).

Data were collected by means of a mail survey. Alongside the questionnaire, the survey pack included a formal letter on university letterhead, explaining the academic purpose of the research and ensuring respondents' full anonymity and confidentiality (Aaker *et al.*, 2004). It emerged that the determination of prices within smaller companies was very much a top-management decision, whereas at larger companies, the marketing, sales (where a marketing manager did not exist) or financial manager was mainly responsible for setting prices.

The choice to use this "key informant technique" was compelled by the respondent's familiarity with the research topic (Dholakia *et al.*, 2004). Similar studies in the broader field of pricing have also used this "key informant" approach without any flaws to the reliability of the data (Avlonitis and Indounas, 2005). To check key informants' competence, respondents were asked to evaluate their level of knowledgeability about price decision making in their firm (1 = not very knowledgeable to 7 = very knowledgeable; mean rating = 6.15; SD = 0.71) and their degree of involvement in the pricing process of their firm (1 = minimally involved to 7 = extensively involved; mean rating = 4.62; SD = 0.61). The above mean rating values are a strong indication of key informants' competence.

Two weeks post the original mailing, a remainder mail was sent to the non-respondents to enhance response rate. The two mailings yielded 318 questionnaires, nine of which were not usable, leaving thus an operational data set of 301 returns and an effective response rate of 20.1 per cent, which is in comparison with other studies in the field of pricing (Hornby and MacLeod, 1996; Tzokas *et al.*, 2000). Moreover, this response rate is considered to be appropriate by various marketing research textbooks when conducting cross-sectional surveys such as the current one (Aaker *et al.*, 2004; Chisnall, 1997; Churchill, 1995; Malhotra and Birks, 2003; Zikmund, 1999).

To evaluate possible sources of non-response bias, the extrapolation procedure based on a comparison of the study's main variables between early (first mailing) and late (second mailing) respondents was undertaken (Armstrong and Overton, 1977). This comparison found no statistical differences, suggesting that non-response bias was not likely to be a problem.

Measure development

Strategic pricing

To measure strategic pricing, the operationalization put forward by Tzokas *et al.* (2000) was adopted. More specifically, respondents were asked to indicate through a 7-point Likert-type scale (1 = totally disagree, 7 = totally agree), their level of agreement with the four statements presented in the above authors' original study. An exploratory factor analysis that was conducted revealed a one-factor solution (eigenvalue = 2.64). Moreover, the Cronbach's alpha (a) coefficient (i.e. 0.79) suggests that the internal consistency of the construct is high (Nunnally and Bernstein, 1994).

Also, a confirmatory factor analysis with the maximum likelihood method was used (Sharma, 1996). The confirmatory factor analysis' results provided support for the construct's structure and dimensionality. The fit statistics met or exceeded standards of desirable fit. The standardized parameter values indicated that each item loads on the expected domain, in full compliance with the exploratory factor analysis. Evidence of the construct's convergent validity was provided by the significant t-values for all four items (> 1.96) and by the size of the coefficients of average variance extracted which exceeded the suggested minimum of 0.50 (Fornell and Larcker, 1981). Also, the value of composite reliability exceeded the recommended minimum of 0.60, providing, thus, evidence of the construct's internal consistency (Bagozzi *et al.*, 1991).

Antecedents of strategic pricing

Company size was measured by both the number of full-time employees and net assets (in Euros). The two indicators were highly correlated ($r = 0.91$), and therefore, for reasons of practical implementation, the indicator of full-time employees was adopted. This practice has been also used in previous studies (Argouslidis and Baltas, 2007).

Company's position in the market was determined through a categorical question. Given a short description of the four categories put forward by Kotler and Keller (2008), respondents were asked to indicate the one that best described their company's position in the market. A dummy variable was then created for the four categories, namely, leaders, challengers, followers and nichers.

For *market orientation*, the 15-item operationalization of Narver and Slater (1990) was adopted. The construct captures market orientation through three behavioral components, namely, customer orientation, competitor orientation and inter-functional coordination. Items were anchored on a 7-point rating scale (1 = not at all to 7 = to a great extent). Greater ratings denote a higher market orientation. The coefficient alpha value for construct was 0.85 (mean value = 4.14, SD = 0.76).

For *technological turbulence* and *market turbulence*, the five-item constructs proposed by Jaworski and Kohli (1993) were adopted. For *competitive intensity*, the four-item operationalization put forward by Kohli and Jaworski (1992) was used. Likert-type rating scales (1 = totally disagree to 7 = totally agree) were used for these three constructs. The coefficient alpha values for the three constructs were 0.77, 0.81 and 0.89; their mean values 3.61, 3.79 and 4.08; and their standard deviation 0.70, 0.74 and 0.86, respectively.

Market growth was measured through a 7-point rating scale (1 = rapidly declining to 7 = rapidly growing) that was originally developed by Avlonitis and Gounaris (1999). Respondents were asked to indicate how their market evolved over the past five years and what their forecast is for the next five years. The construct exhibited good measurement properties (one-factor solution, eigenvalue = 3.15, total variance explained = 72.3 per cent, alpha coefficient = 0.83, mean value = 3.64, SD = 0.88).

Journal of Services Marketing
Volume 28 · Number 5 · 2014 · 402–413

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

Company performance

To measure company performance, a number of self-reported subjective performance measures, which have been used successfully in previous empirical studies (Jaworski and Kohli, 1993; Gray and Matheson, 1996; Han *et al.*, 1998), were used. Respondents were asked to evaluate 11 different performance measures (e.g. profitability, brand awareness, customer loyalty, corporate reputation) compared to their nearest competitor over the past three years through a 7-point rating scale (1 = very poor to 7 = excellent).

In considering the use of objective measures, it was felt that some of the respondents, for reasons of confidentiality, might be unwilling to provide actual figures of their performance. Also, the practice of using subjective measures of performance is not a new approach and has been successfully used in previous empirical studies that seek to investigate potential relationships between company performance and various aspects of management (Verhage and Waarts, 1988). Moreover, studies that have used both objective and subjective measures of performance have found strong correlation among them (Venkatraman and Ramanujam, 1986), warranting, thus, the validity of subjective measures.

The items of all scales used in the present study are summarized in the Appendix.

Results

Antecedents of strategic pricing

To test *H1-H10*, a multiple regression analysis estimated by the least squares method was used. This econometric method is particularly suited for the empirical validation of hypothesized structural relationships and theory development (Malhotra and Birks, 2003). To reduce the effect of multicollinearity, the variables were mean-centered before constructing their interactions (Aiken and West, 1991). Furthermore, to test potential multicollinearity among the independent variables, correlation analyses were run. The low to moderate correlations identified suggested that multicollinearity does not seem to be a problem. Also, the reciprocals to the variance inflation factors for the independent variables were identified. All of them were much higher than the suggested threshold of 0.10, which indicates multicollinearity among the variables (Field, 2000).

We now turn to examine the parameters of the independent variables. On closer examination of Table I, it emerges that the model is significant at the $p < 0.01$ level. Also, contrary to *H1*, *H2*, *H6*, *H8* and *H9*, *H3*, *H4*, *H5*, *H7* and *H10* are supported. More specifically, with reference to main effects, market orientation and market growth have a positive impact on strategic pricing (*H3* and *H7*, respectively), while technological turbulence and market turbulence have a negative influence (*H4* and *H5*, respectively). On the other hand, company size, company's position in the market and competitive intensity were not found to have any impact on strategic pricing (*H1*, *H2* and *H6*, respectively). Regarding interaction effects, it emerges that the stronger the market orientation, the weaker the effect of market turbulence on the adoption of strategic pricing (*H10*).

The impact of strategic pricing on company performance

To test the impact of strategic pricing on company performance (*H11*), the median-split procedure was used (Narver and Slater, 1990). This procedure has been used extensively in previous studies in the field of pricing (Avlonitis and Indounas, 2005; Tzokas *et al.*, 2000). More specifically, the sample was divided into two groups based on the median score of strategic pricing. The first group ($n = 162$) represents firms with a high strategic pricing behavior, scoring above the median (median = 3.68), while the second group describes firms with a low strategic pricing behavior ($n = 139$), scoring below the median. By means of a *t*-test analysis, the two groups were examined across the blocks of variables depicting their company performance (Table II).

The results indicate that firms with a high strategic pricing behavior score systematically higher than firms with a low strategic pricing behavior in all aspects of company performance where statistical differences were found. In particular, they perform better in both quantitative (i.e. profitability, total revenue, cost-effectiveness, changes in profitability) and qualitative terms (i.e. customer loyalty, brand awareness, corporate reputation, degree of differentiation, customer satisfaction). To this end, *H11* is accepted.

Discussion

As the findings of the study suggest, strategic pricing adoption can be accomplished through paying attention to a combination of factors relating to the company's internal and external environment. This finding is in line with the suggestions put forward by previous authors in the field of industrial service pricing, underlying the importance of paying attention to both company- and market-related issues if effective pricing decisions are to be made (Indounas, 2009; Morris and Fuller, 1989).

Regarding the internal environment, in line with what was intuitively expected, market orientation was found to boost the development of a strategic pricing culture. The principles of market orientation can provide support for this finding: adopting a strategic-based pricing approach requires a long-term perspective, and market-oriented firms learn to treat all managerial activities and decisions in a long-term and market-focused manner (Narver and Slater, 1990). This finding is in line with the study by Tzokas *et al.* (2000) conducted in the field of industrial export pricing where the development of a market-oriented culture within the industrial firm was found to facilitate the adoption of strategic pricing. Moreover, this finding is in line with a previous study in the field of industrial service pricing in particular where successful pricing relates to market-oriented behavior in terms of pricing objectives formulated and pricing methods and policies used (Indounas, 2009).

Nevertheless, initiating the strategic pricing process does not appear to be entirely at the company's discretion. Market-related characteristics have also an influence on the development of strategic pricing orientation. More specifically, market growth was found to be another facilitator of strategic pricing. This finding confirms previous research in the field of industrial markets that industrial firms operating in growing markets have the tendency to adopt novel marketing

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

Table I Antecedents of strategic pricing: regression analysis

Hypothesis number	Proposed effect	Independent variables	Standardized beta	Standard error	Proposed effect vs results
Main effects					
H1	(+)	Company size	0.21	0.13	Not supported
H2	(+)	Leader	0.23	0.11	Not supported
H2		Challenger	0.12	0.09	
H2		Follower	0.15	0.10	
H2		Nicher	0.19	0.11	
H3	(+)	Market orientation	0.33*	0.14	Supported
H4	(−)	Technological turbulence	−0.31**	0.16	Supported
H5	(−)	Market turbulence	−0.36*	0.07	Supported
H6	(−)	Competitive intensity	−0.14	0.09	Not supported
H7	(+)	Market growth	0.37*	0.16	Supported
Interaction effects					
H8	(+)	Company size × market orientation	0.09	0.08	Not supported
H9	(−)	Market orientation × technological turbulence	0.12	0.09	Not supported
H10	(−)	Market orientation × market turbulence	−0.25**	0.11	Supported

Notes: Model summary: R^2, 0.36; Adjusted R^2, 0.31; F, 8.15; $^{*}p < 0.01$; $^{**}p < 0.05$

Table II The impact of strategic pricing on company performance

Compared to nearest competitor	High strategic pricing behavior (n = 162) (mean values)	Low strategic pricing behavior (n = 139) (mean values)	t-value	Significance
Profitability	**4.21**	**3.16**	**2.23**	***p* < 0.001**
Total revenue	**4.02**	**3.41**	**1.92**	***p* < 0.005**
Customer loyalty	**4.29**	**3.79**	**1.84**	***p* < 0.005**
Brand equity	3.33	3.13	0.93	NS
Brand awareness	**4.21**	**3.65**	**1.82**	***p* < 0.005**
Corporate reputation	**4.42**	**3.27**	**2.39**	***p* < 0.001**
Customer satisfaction	**3.98**	**3.07**	**1.76**	***p* < 0.005**
Changes in profitability	**3.92**	**3.12**	**1.45**	***p* < 0.025**
Success of new service introductions	3.58	3.45	0.32	NS
Cost-effectiveness	**4.11**	**3.62**	**1.72**	***p* < 0.005**
Degree of differentiation	**3.76**	**2.87**	**2.21**	***p* < 0.001**

Note: Bold letters signify the statistical significance

practices (Avlonitis and Gounaris, 1999). Strategic pricing is such a novel practice. Growing industrial service markets are characterized, among else, by high demand, high profit margins, increased number of existing competitors and low barriers for new competitors to enter the market. These markets leave room for innovation and, contrary to mature or declining markets, give the opportunity to compete on a non-price basis (e.g. improved customer service, customization, effective targeting and positioning strategies) to survive in the long run. To this end, pricing decisions have a greater potentiality to be perceived from a long-term perspective and be formulated on the basis of the principles of strategic pricing.

Turbulence (i.e. market and technological) was found to be an impediment in strategic pricing adoption. This finding confirms partially the positive role of market growth, as exemplified above, as turbulence relates mainly to stagnant and mature industrial service markets. Turbulent markets are characterized by difficulty in predicting their future structure in terms, for instance, of technological advances or new products requirements. Also, it is difficult to foresee current competitors' potential strategies and actions or the entrance of new competitors in the market (Moorman and Miner, 1997). In such conditions of environmental uncertainty, there seems to be a downward pressure on prices, which may lead many firms to design and implement myopic pricing practices (e.g. price discounts) to gain short-term financial benefits. However, these practices lack strategic long-term perspective and orientation, imposing, thus, barriers in formulating and implementing pricing strategy from a strategic point of view. Despite the lack of previous research regarding the impact of turbulence in the field of industrial service pricing, this finding may be also explained by the technical nature of industrial services, as analyzed by Morris and Fuller (1989).

However, the effect of market turbulence is reduced in market-oriented firms. This finding is in line with previous empirical studies in the field of industrial markets, which have shown that "market orientation is associated with the firms' need to sustain their growth and prosperity within a broader framework of changing market conditions" (Avlonitis and Gounaris, 1999, p. 1030). This finding is also in line with the

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

study conducted by Indounas (2009), which has indicated that a market-oriented approach toward the pricing process of industrial service firms may lead to more successful pricing decisions. Thus, even in turbulent markets, understanding and applying the principles of market orientation seems to be a good business practice, which leads to effective marketing strategies, part of which might be a strategic approach toward pricing decisions.

What also clearly emerges from this study is that various aspects of company performance can be improved through adopting the practice of strategic pricing. This finding is in line with the suggestions made by authors such as Sainio and Marjakoski (2009). This finding can be also explained by the numerous advantages that this practice can offer to any industrial service firm. More specifically, strategic pricing gives the firm the opportunity to develop a coherent set of pricing policies and procedures that are in line with both the marketing goals and strategy and the overall corporate objectives and strategies. Also, strategic pricing implementation involves finding a balance between the industrial service firm's different departments and functions (e.g. marketing, finance), as it places its emphasis on both company-related (e.g. costs) and market-related (e.g. customers, competitors) factors that may affect pricing strategy formulation.

Managerial implications

From a managerial point of view, managers within industrial service firms wishing to imbue a strategic orientation to their pricing decisions may find value in appreciating that their efforts should be directed at different levels. First, it seems that benefits will be gained if they endeavor to adopt a market-oriented perspective toward price decision making. The importance of market orientation is also reflected on the fact that it may reduce the effect of turbulence in the market and help the company to apply strategic pricing even in turbulent environments.

Second, there seems to be difficulty in applying the practice of strategic pricing in turbulent environments. Such environments may lead to short-term myopic pricing practices that are in contrast with the basic principles of strategic pricing. On the other hand, growing markets seem to facilitate the practice in question. Thus, especially for industrial service firms that are applying this practice for the first time, the best option might be to choose more stable and balanced markets with a growth potential.

Third, it seems that the adoption of strategic pricing is unrelated to company size and company's position in the market. In other words, irrespective of its size, any industrial service firm can still apply the notion of strategic pricing. Similarly, regardless of the company's position in the market, managers responsible for setting prices within their industrial service firms could follow the principles of this practice no matter if their companies are leaders, challengers, followers or nichers. This finding suggests that placing equal importance to pricing in comparison with other managerial activities, monitoring and reviewing prices on a regular basis, planning price decision making and having a top management that has understood the significance of treating pricing as a strategic tool can take place within various types of industrial service firms. To this end, within any industrial service firm, endeavoring to apply the four key dimensions of strategic pricing as examined in the current study might be an issue of re-examining and moving away from existing pricing practices and trying to understand the merits of strategic pricing.

Fourth, the adoption of strategic pricing seems to improve an industrial service firm's various performance dimensions. Thus, adopting the principles of strategic can offer various advantages to industrial service firms and help them perform better in both quantitative and qualitative terms.

Limitations and future research directions

The present study suffers from some limitations. First, it has been conservative in the selection of contextual variables that may have an effect on the adoption of strategic pricing (e.g. market orientation, market and technological turbulence, market growth). Future studies could further test the impact of constructs like the industry sector, the formality of price decision making, the centralization or not of price decision making within the business and the years of presence in the market as moderating and mediating effects. The addition of these effects could add intrigue to the current model, increase its explanatory power and provide additional insights.

Moreover, because the study's data pertain to one single country, the findings may not be generalizable to firms operating in different national or cultural contexts. Therefore, there are prominent replication attributes in industrial service settings of other countries and it may be worthwhile to test the generality of these findings through future studies.

Also, contrary to previous studies that attempted to study the main effects of contextual variables on strategic pricing, the present study tried to test some reasonable interactions. Two of the three proposed interactions were not found to be statistically significant and may deserve future research considerations.

References

Aaker, D.A., Kumar, V. and Day, G.S. (2004), *Marketing Research*, 8th ed., John Wiley & Sons, New York, NY.

Aiken, L.S. and West, S.G. (1991), *Multiple Regression: Testing and Interpreting Interactions*, CA Sage, Newbury Park, CA.

Akintoye, A. and Skitmore, R. (1992), "Pricing approaches in the construction industry", *Industrial Marketing Management*, Vol. 21 No. 4, pp. 311-318.

Argouslidis, P. and Baltas, G. (2007), "Structure in product line management: the role of formalization in service elimination decisions", *Journal of the Academy of Marketing Science*, Vol. 35 No. 4, pp. 475-491.

Armstrong, S.J. and Overton, T.S. (1977), "Estimating non-response bias in mail surveys", *Journal of Marketing Research*, Vol. 14 No. 3, pp. 396-402.

Avlonitis, G.J. and Gounaris, S.P. (1999), "Marketing orientation and its determinants: an empirical analysis", *European Journal of Marketing*, Vol. 33 Nos 11/12, pp. 1003-1037.

Avlonitis, G. and Indounas, K. (2004), "The impact of market structure on pricing objectives of service firms", *Journal of Product and Brand Management*, Vol. 13 No. 5, pp. 343-358.

Avlonitis, J.G. and Indounas, K. (2005), "Pricing objectives and pricing methods in the services sector", *Journal of Services Marketing*, Vol. 19 No. 1, pp. 47-57.

Bagozzi, R.P., Yi, Y. and Phillips, L.W. (1991), "Assessing construct validity in organizational research", *Administrative Science Quarterly*, Vol. 36 No. 3, pp. 421-458.

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

Chisnall, P. (1997), *Marketing Research*, 5th ed., McGraw-Hill, London.

Churchill, G. (1995), *Marketing Research: Methodological Foundations*, 6th ed., Dryden Press, Fort Worth, TX.

Dholakia, U.M., Bagozzi, R.P. and Pearo, L.K. (2004), "A social influence model of consumer participation in network and small-group-based virtual communities", *International Journal of Research in Marketing*, Vol. 21 No. 3, pp. 241-263.

Diamantopoulos, A. (1991), "Pricing: theory and practice – a literature review", in Baker, M.J. (Ed), *Perspectives on Marketing Management*, John Wiley & Sons, London, pp. 61-193.

Field, A. (2000), *Discovering Statistics Using SPSS for Windows*, CA Sage, London.

Fornell, C. and Larcker, D.F. (1981), "Structural equation models with unobservable variables and measurement error: algebra and statistics", *Journal of Marketing Research*, Vol. 18 No. 3, pp. 382-388.

Goetz, J. (1985), "The pricing decision: a service industry's experience", *Journal of Small Business Management*, Vol. 23 No. 2, pp. 61-67.

Gray, B. and Matheson, P. (1996), "Market orientation, pricing and perceived performance", New Zealand Marketing Management Research Program, Report 3, University of Otago, Dunedin.

Grunenwald, J.P. and Vernon, T.T., (1988), "Pricing decision making for high-technology products and services", *Journal of Business and Industrial Marketing*, Vol. 3 No. 1, pp. 61-70.

Han, J.K., Kim, N. and Srivastava, R.K. (1998), "Market orientation and organizational performance: is innovation the missing link", *Journal of Marketing*, Vol. 62 No. 4, pp. 30-45.

Hankinson, A. (1985), "Pricing decisions in small engineering firms", *Management Accounting*, Vol. 63 No. 6, pp. 36-37.

Hinterhuber, A. (2004), "Towards value based pricing: an integrative framework for decision making", *Industrial Marketing Management*, Vol. 33 No. 8, pp. 765-778.

Hornby, W.B. and MacLeod, M. (1996), "Pricing behavior in the Scottish computer industry", *Management Decision*, Vol. 34 No. 6, pp. 31-42.

Im, S. and Workman, Jr. J.P. (2004), "Market orientation, creativity and new product performance in high technology firms", *Journal of Marketing*, Vol. 68 No.2, pp. 114-132.

Indounas, K. (2009), "Successful industrial service pricing", *Journal of Business and Industrial Marketing*, Vol. 24 No. 2, pp. 86-97.

Indounas, K. and Avlonitis, G. (2011), "New industrial service pricing strategies and their antecedents: empirical evidence from two industrial sectors", *Journal of Business and Industrial Marketing*, Vol. 26 No. 1, pp. 26-33.

Jaworski, B.J. and Kohli, A.K. (1993), "Market orientation: antecedents and consequences", *Journal of Marketing*, Vol. 57 No. 3, pp. 53-71.

Kohli, A.K. and Jaworski, B.J. (1992), *Market Orientation: Antecedents and Consequences*, Marketing Science Institute, Cambridge.

Kotler, P. and Keller, K.L. (2008), *Framework for Marketing Management*, 4th ed., Pearson-Education, NJ.

Levy, P.S. and Lameshow, S. (1999), *Sampling of Populations: Methods and Applications*, Wiley-Interscience, New York, NY.

Malhotra, N.K. and Birks, D.F. (2003), *Marketing Research: An Applied Approach*, 2nd ed., Prentice-Hall, London.

Mason, J. (1996), *Qualitative Researching*, Sage, London.

Maycut, P. and Morehouse, R. (1997), *Beginning Qualitative Research*, 3rd ed., Falmer Press, London.

Moorman, C. and Miner, A.S. (1997), "The impact of organizational memory on new product performance and creativity", *Journal of Marketing Research*, Vol. 34 No. 1, pp. 91-106.

Morris, M.H. and Fuller, D.A. (1989), "Pricing an industrial service", *Industrial Marketing Management*, Vol. 18 No. 2, pp. 139-146.

Myers, M.B., Cavusgil, T.S. and Diamantopoulos, A. (2002), "Antecedents and actions of export pricing strategy: a conceptual framework and research propositions", *European Journal of Marketing*, Vol. 36 Nos 1/2, pp. 159-188.

Nagle, T.T. and Holden, R.K. (2001), *The Strategy and Tactics of Pricing: A Guide to Profitable Decision-Making*, 3rd ed., Prentice-Hall, NJ.

Narayandas, D., Quelch, J. and Swartz, G. (2000), "Prepare your company for global pricing", *Sloan Management Review*, Vol. 42 No. 1, pp. 61-70.

Narver, J.C. and Slater, S. (1990), "The effect of market orientation on business profitability", *Journal of Marketing*, Vol. 54 No. 4, pp. 20-35.

Nunnally, J.C. and Bernstein, I.H. (1994), *Psychometric Theory*, McGraw-Hill, New York, NY.

Sainio, L.M. and Marjakoski, E. (2009), "The logic of revenue logic? Strategic and operational levels of pricing in the context of software business", *Technovation*, Vol. 9 No. 5, pp. 368-378.

Sampson, S.E. (2012), "Visualizing service operations", *Journal of Service Research*, Vol. 15 No. 2, pp. 182-198.

Schau, H.J., Smith, F.M. and Schau, P.I. (2005), "The healthcare network economy: the role of internet information transfer and implications for pricing", *Industrial Marketing Management*, Vol. 34 No. 2, pp. 147-156.

Sharma, S. (1996), *Applied Multivariate Techniques*, John Wiley & Sons, New York, NY.

Smith, G.E. (1995), "Managerial pricing orientation: the process of making pricing decisions", *Pricing Strategy and Practice*, Vol. 3 No. 3, pp. 28-39.

Stewart, C.J. and Cash, J.W.B. (1988), *Interviewing: Principles and Practices*, Wm.C, Brown Publishers, IA.

Sutcliffe, K.M. and McNamara, G. (2001), "Controlling decision making practice in organizations", *Organizations Science*, Vol. 12 No. 4, pp. 484-501.

Tzokas, N., Hart, S., Argouslidis, P. and Saren, M. (2000), "Strategic pricing in export markets: empirical evidence from the UK", *International Business Review*, Vol. 9 No. 1, pp. 95-117.

Venkatraman, E. and Ramanujam, V. (1986), "Measurement of business performance in strategy research: a competitive analysis", *Academy of Management Review*, Vol. 11 No. 4, pp. 801-814.

Verhage, B.J. and Waarts, E. (1988), "Marketing planning for improved performance, a competitive analysis", *International Marketing Review*, Vol. 15 No. 2, pp. 20-30.

Zeithaml, V.A., Bitner, M.J. and Gremler, D.D. (2006), *Services Marketing: Integrating Customer Focus Across the Firm*, 4th ed., McGraw-Hill, New York, NY.

Zikmund, W.G. (1999), *Essentials of Marketing Research*, Dryden Press, Orlando.

Further reading

Shipley, D.D. and Jobber, D. (2001), "Integrative pricing via the pricing wheel", *Industrial Marketing Management*, Vol. 30 No. 3, pp. 301-314.

Appendix

Table AI Construct operationalization

Construct	Items
Strategic pricing[a]	1. Pricing decisions are as important as other activities such as promotion, new product development and distribution
	2. There is no need to review and monitor periodically our prices because the market does it for us
	3. Top management treats pricing as a strategic and continuous managerial function
	4. We value the consideration of planning of what our prices will be in the future
Company size	Number of full-time employees
Company's position n the market	Categorical question (leader, challenger, follower, nicher)
Market orientation[b]	1. Our business objectives are driven primarily by customer satisfaction
	2. We constantly monitor our level of commitment and orientation to serving customers' needs
	3. Our strategy for competitive advantage is based on our understanding of customers' needs
	4. Our business strategies are driven by our beliefs about how we can create value to customers
	5. We measure customer satisfaction systematically and frequently
	6. Our sales people regularly share information within our company concerning competitors' strategies
	7. We rapidly respond to competitive actions that threaten us
	8. Top management regularly discuss competitors' strengths and strategies
	9. We target customers when we have an opportunity for competitive advantage
	10. Our top managers from every function regularly visit our current and prospective customers
	11. We freely communicate information about our successful and unsuccessful customer experiences across all business functions
	12. All of our business functions are integrated in serving the needs of our target markets
	13. All of our managers understand how everyone in the business can contribute to creating customer value
	14. We give close attention to after-sales service
	15. All of our business functions and departments are responsive to each other's needs and requests
Market turbulence[a]	1. In our industry, customers' product preferences change quite a bit over time
	2. Our customers tend to look for new products all the time
	3. We are witnessing demand for our products and services from customers who never bought them before
	4. New customers tend to have product-related needs that are different from those of our existing customers
	5. We cater to match the same customers that we used to in the past[e]
Technological turbulence[a]	1. The technology in our industry is changing rapidly
	2. Technological changes provide big opportunities in our industry
	3. It is very difficult to forecast where the technology in our industry will be in the next five years
	4. A large number of new product ideas in our industry have been made possible through technological breakthroughs
	5. Technological developments in our industry are rather minor[e]
Competitive intensity[a]	1. Competition in our market is extremely intensive
	2. It is quite usual to have price wars in our market
	3. Competitors are weaker in comparison with us[e]
	4. Every day we learn of a new action taken by our competitors
Market's growth rate[c]	5. Market's evolution over the past years
	6. Forecast about the market's evolution within the next five years
Company performance[d]	1. Profitability (compared to nearest competitor)
	2. Total revenue (compared to nearest competitor)
	3. Customer loyalty (compared to nearest competitor)
	4. Brand equity (compared to nearest competitor)
	5. Brand awareness (compared to nearest competitor)
	6. Corporate reputation (compared to nearest competitor)
	7. Customer satisfaction (compared to nearest competitor)
	8. Changes in profitability (compared to nearest competitor)
	9. Success of new service introductions (compared to nearest competitor)
	10. Cost-effectiveness (compared to nearest competitor)
	11. Degree of differentiation (compared to nearest competitor)

Notes: [a]Likert-type scale (1 = totally disagree to 7 = totally agree); [b]7-point rating scale (1 = not at all to 7 = to a great extent); [c]7-point rating scale (1 = rapidly declining to 7 = rapidly growing); [d]7-point rating scale (1 = very poor to 7 = excellent); [e]item reverse-coded

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

Journal of Services Marketing
Volume 28 · Number 5 · 2014 · 402–413

About the author

Kostis Indounas received his PhD in marketing from the Athens University of Economics and Business, Athens. He is currently an Assistant Professor of marketing at the same university. His works have appeared in international conferences and academic journals such as *Industrial Marketing Management*, *Journal of Service Management*, *Journal of Business and Industrial Marketing*, *Business Horizons*, *Journal of Retailing and Consumer Services*, *European Journal of Marketing* and *Journal of Services Marketing*, among others. His teaching and research interests are in the areas of pricing, services marketing, marketing for non-profit organizations and new product development. Kostis Indounas can be contacted at: indounas@aueb.gr

Downloaded by ANADOLU UNIVERSITY At 01:30 03 September 2014 (PT)

To purchase reprints of this article please e-mail: **reprints@emeraldinsight.com**
Or visit our web site for further details: **www.emeraldinsight.com/reprints**