



Customer involvement and perceptions: The moderating role of customer co-production

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ABSTRACT

This study examines customer-specific antecedents of perceived service performance. Based on a review of the consumer services literature, we propose a theoretical model that links customer involvement to perceived service performance and identify the moderating role of co-production on the relationship. This model was tested on responses from 349 Chinese bank customers using hierarchical regression analysis. The results confirm that customer involvement was related to perceived service performance and the positive relationship between customer involvement and perceived service performance was stronger on customers of a high rather than low level of co-production. The findings provide new insight into the characterization of bank customers and their perceptions of service performance and have implications for both bank managers and consumer services researchers.

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1. Introduction

Despite “Know your customers” being a popular management slogan used in the service industry (Stone et al., 2000; Woodruff and Gardial, 1996), there is a dearth of studies investigating how the psychological state and participation of customers interact and affect the perceptions of service performance. Indeed, customers are the final evaluators of quality. Marketing research has indicated that when a customer is dissatisfied with a service, he or she will divulge his or her experiences to three or more individuals (Horovitz, 1990). Unfavorable service experience of customers may adversely affect the market share of an organization and this in turn has a detrimental impact on the organization's service performance (Tseng et al., 1999). Given this line of reasoning, past research has been devoted to studying customers' perceptions and their impacts on service performance (Brady et al., 2002; Cronin and Taylor, 1992; Johns and Howard, 1998; Martinez and Martinez, 2010; Teas, 1993; Zhou, 2004). Yet, research focusing on customer-specific antecedents of service performance has received little attention (Gounaris et al., 2003). For example, Varki and Wong (2003) studied the role of customer involvement in relationship marketing of services. Their results highlight that highly involved customers express stronger interest in engaging in relationships with service providers. van Beuningen

et al. (2009) demonstrate that self-efficacy enables customers using online technology to co-produce self-service and it is positively associated with service value evaluations. Lengnick-Hall et al. (2000) and Edvardsson (2005) argue that customers can influence the outcomes they experience through co-production. Thus, the purpose of this study is to propose a theoretical model that examines the relationship between customer involvement (a psychological state) and perceived service performance under the situation of high or low level of co-production as shown in Fig. 1. Results of the present study contribute to the service marketing literature by integrating co-production with customer involvement and service performance.

2. Literature review and hypotheses development

2.1. Customer involvement

Consumer research highlights that involvement is an influencing factor of consumers' decisions (e.g. Engel et al., 1982). As suggested by Zaltman and Wallendorf (1983), involvement is considered as a motivational state of mind (arousal) that is goal-directed. In other words, characterizing involvement requires a goal-directed stimulus that generates a need for a particular product or service. Given the salience of customer involvement, Laurent and Kapferer (1985) proposed an instrument that measures the five aspects of customer involvement, namely perceived importance, pleasure, perceived sign value or branding, perceived risk/negative consequence of a mispurchase, and subjective

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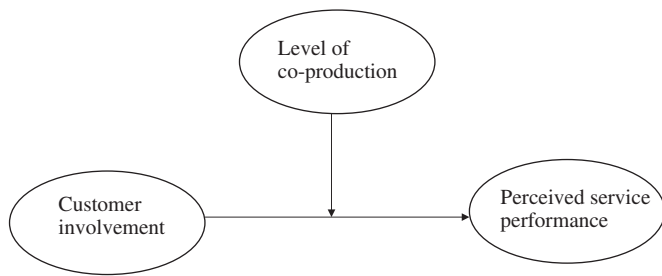


Fig. 1. Hypothesized moderation model.

probability of a mispurchase. In the same year, Zaichkowsky (1985) developed the personal involvement inventory scale that consists of the following three dimensions:

1. Personal: Inherent needs, values or interests that motivate individuals towards an object.
2. Physical: The characteristics of the object that causes differentiation and increased interest.
3. Situational: Something that temporarily increases relevance or interest towards an object.

Since then, a considerable amount of research efforts have been devoted to investigating how consumer involvement affects product selection and purchase decisions (Mittal, 1989; Smith and Carsky, 1996). Recent research (Aldlaigan and Buttle, 2001; Foxhall and Pallister, 1998; Howcroft et al., 2007; McColl-Kennedy and Fetter, 2001) examines the extent and degree of involvement in the service environment and the effect of customer involvement on perceived service benefits (Carbonell et al., 2009; Kinard and Capella, 2006). Although research findings supported the applicability of the personal involvement inventory scale to the service environment, the picture showing the effects of customer involvement on various attributes of service performance were incomplete. For example, customer involvement may exert a profound influence on the customers' expectations that affect their judgment or perceptions of service performance.

2.2. Perceptions of service performance

In the evaluation of service performance, Grönroos (1982) suggested that service can be evaluated in terms of functional and technical quality. Functional quality represents the perception of the manner in which the service is delivered (process-based). Technical quality, on the other hand, represents the outcome of the service or what the customer receives at the end (outcome-based). Parasuraman et al. (1988) developed SERVQUAL that consists of tangibles – the physical facilities and appearance of personnel, assurance – the knowledge and courtesy of employees and their ability to inspire trust and confidence, empathy – the caring, individualized attention provided by employees, reliability – the ability of employees to provide the promised service dependently and accurately, and responsiveness – the willingness to help customers and provide prompt services. On the basis of Parasuraman's scale, Cronin and Taylor (1992) examined the applicability of performance and suggested that perception of service performance—SERVPERF is significantly correlated with the consequences of good service performance such as customer satisfaction.

2.3. Co-production of service

Service delivery is an interactive and dynamic process in which customers are often vital participants who contribute

valuable inputs of ideas to improve the service design (Claycomb et al., 2001; Andreu et al., 2010). Customers co-produce the service through increased inputs of efforts, time, and attentions (Bettencourt, 1997; Lengnick-Hall, 1996; Mills and Morris, 1986). Given customers' inputs, service providers are more able to tailor to the needs of customers, and thus promote a favorable perception of service performance (Claycomb et al., 2001; Mills and Morris, 1986).

2.4. Development of hypotheses

2.4.1. Customer involvement and perceptions of service quality

Involvement is defined as a subjective psychological state that reflects the importance and personal relevance of a product or service to a customer (Zaichkowsky, 1985) and explains consumer behavior. Past research suggested that customer involvement affects the level of brand loyalty (Knox et al., 1994), brand discrimination (Zaichkowsky, 1985), product selection, and purchase decisions (Mittal, 1989; Smith and Carsky, 1996). For example, Arora (1995) studied the relationships between price, customer involvement, service quality, and intentions to switch for telephone services and automobile insurance. He reported a higher intention to switch service providers among the higher involved group when the switching action would lead to a lower price and higher service quality. Following Arora's line of thought, we predict that customer involvement would affect the value that customers place on different dimensions of service performance, such as those identified by Parasuraman et al. (1988).

H1. Customer involvement is positively related to perceived service performance including tangibles, responsiveness, assurance, reliability, and empathy.

2.4.2. Co-production and perceived service performance

Co-production means engaging customers as active participants in the organization's work (Lengnick-Hall et al., 2000). When customers actively participate in co-production, customers do not only provide a direct input into the production of final services, but also enjoy increased perceived control over the process of service delivery (Bateson, 1995). This facilitates an exchange of valuable information between customers and service firms (Lengnick-Hall et al., 2000; van Beuningen et al., 2009). In this context, service firms are more likely than others to customize their service according to the specific needs of customers. Thus, customers have a higher propensity to like the service and favorably evaluate the perceived service performance. Hence, as suggested by Evardsson (2005), we posit the following hypothesis.

H2. Customers' co-production of service is positively related to perceived service performance including tangibles, responsiveness, assurance, reliability, and empathy.

2.4.3. Moderating role of co-production

Although Arora (1995) found that customer involvement influences the perceptions of service performance, surprisingly, little is done to explore plausible situations that influence the strength of link between customer involvement and perceived service performance. In the case of high level of co-production, customers may regard themselves as active organizational members and enjoy feelings of confidence, pride, and passion in a service brand. These feelings may extend their roles to create and co-produce services. In this context, customers are motivated to search for new information or exchange creative ideas for enhancing the quality of service. Owing to the fact that customers are the ones to evaluate the services, therefore, highly involved customers would like the services that they have jointly

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