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Applying Service Logic to Education: The Co-creation Experience and Value Outcomes

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Abstract

This study applies concepts of service logic and value to the customer experience. Customer experience is well recognised as a critical component of value but it is complex and may consist of multiple, dynamic points of contact that occur over a period of time. Further, the co-creation experience itself may provide value and, in certain contexts, value may continue to emerge over time. Education is one such context, and it is currently under-researched from this perspective. Hence, we report on a study that had two key aims: first, to investigate the link between the co-creation experience and students' perceptions of on-going independent value creation, and second, to test the strength of links between contextual factors contributing to the co-creation experience, and consumers' assessment of that experience. Our conceptual model was tested using a quantitative survey, distributed to a range of business students ($n = 313$) in Newcastle, Australia. Key measures included university facilitation of value, customer participation (student engagement, student connectedness), the co-creation experience, and students' expectations about independent value creation. Measures were predominantly drawn from literature in service research and education. Structural equation modelling was used to test our hypotheses. Key findings were that university facilitation of value, and consumer engagement, are both antecedents of the co-creation experience, but, surprisingly, consumer connectedness is not. As proposed, the co-creation experience is directly related to ongoing value-in-use via independent value creation. Thus, the study highlights essential components in the design of value-generating processes for students: first, the processes and resources that will support a positive co-creation experience and, second, design that will be value-generating in employment and life. We suggest that replication and extension in other contexts is warranted, especially to investigate the unexpected result with respect to the social context of connectedness.

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1. Introduction

In service logic (SL) and service-dominant logic (SDL), a service offering provides resources with which customers interact to gain benefits or value in their lives. SDL assumes that value is always co-created while in SL co-creation represents one phase of value creation (Grönroos & Gummerus, 2014; Vargo, 2009). In either case, value requires interactions during which customers engage, with people, with goods, or with technological interfaces (Bolton & Saxena-Iyer, 2009; Grönroos & Ravald, 2011; Vargo & Lusch, 2008). This engagement has facilitated considerable discussion about the concepts of value and value-in-use. While value-in-use is easily understood in terms of the service provided by physical products, much less ongoing dialogue has occurred with respect to transformational services where there are clear start and finish points in the *process* of co-creation and the consumer obtains value by drawing on the *benefits* of co-creation. To address this gap, we use Grönroos and Gummerus' (2014) model, which consists of three phases of value creation. The first phase concerns provider facilitation of value, the second phase involves customer/provider interaction via co-creation, and the final phase, 'independent value creation' (IVC), involves customers gaining on-going value-in-use themselves. In elaborating on 'Marketing as promise management', Grönroos (2009) emphasises the importance of the first two phases to establish the foundation for the third. We contend that understanding customers' views on the factors that contribute to independent value creation, or promises arising from their participation in co-creation, warrants investigation and has the potential to provide insights into both theory and practice.

As well as ideas concerned with interaction during co-creation, service literature has recognised the importance of the 'customer experience' and contributed to calls for research that provide the customer voice and explore how the customer makes sense of service situations (Baron & Harris, 2008; Helkkula, 2011; Verhoef et al., 2009). Meyer and Schwager (2007, p. 2) define customer experience as 'the internal and subjective response customers have to any direct or indirect contact with a company' while Ostrom et al. (2010, p. 24) suggest that the service experience encompasses 'all aspects of the production, delivery, and creation of value considered from the customer's perspective. Obviously, customer experience is context bound. We are concerned with tertiary education, a complex service with many touch points, and where co-creation occurs over a considerable period of time. Consistent with the definition above, we define the student experience as a set of interactions that lead to a personal reaction. This reaction may encompass cognitive, social, affective and physical/virtual dimensions (Verhoef et al., 2009) and, of necessity, it occurs during co-creation. However, independent value creation is reflected by confidence in the outcome of the co-creation experience (in our study, it is graduates who 'feel equipped and prepared for work').

We note that in Grönroos and Gummerus' (2014) model, value is the same as value-in-use, and customer value accumulates across the co-creation (joint) and independent value creation (customer) spheres. The co-creation experience, as we define it, occurs in the joint sphere, and is one component of value. However, overall customer value involves both spheres (the co-creation experience, and independent value creation) and may differ substantially for different consumers. For example, in tertiary education one student might say "I'm happy with what I've gained from my university experience (independent value creation) but I really didn't enjoy the process (co-creation experience)" while another might disagree, "I loved being at university (co-creation experience) but I don't think it has prepared me very well for work (independent value creation)".

In summary, we conceptualise the value co-creation experience during university as the set of interactions that are occurring to develop skills and attributes important for employment and post university life. In contrast, perceived independent value creation is an assessment of the consumer's expectations about their ability to gain value-in-use into the future; in our study, this means students' expectations about the extent to which the learned skills and attributes will be present when desired. In light of the above, our study has two major aims: first, to investigate the link between the co-creation experience and students' perceptions of on-going independent value creation, and second, to test the strength of links between contextual factors contributing to the co-creation experience, and consumers' assessment of that experience. Our study is important for three main reasons. First, it responds to the call to demonstrate the role of customer experience in value creation. Second, we distinguish, yet link, the value co-creation experience and on-going independent value creation, in the education context. Insights into how co-creation fosters the final phase of independent value creation can inform transformative services, including education, where the service provided during co-creation is intended to provide the consumer with resources for the future. Finally, we take account of the increasing importance of the social context by including a measure of customer 'connectedness'

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