



The road to customer loyalty paved with service customization



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ABSTRACT

Previous research reveals that frontline employees can engage in two types of service customization, one that includes customizing offerings, referred to as “service offering adaptation,” and another that includes customizing interpersonal behavior, referred to as “interpersonal adaptive behavior.” While research indicates that both types of service customization are important to building customer relationships, limited research has simultaneously examined both aspects and the mechanisms accounting for their effects. Drawing from cognitive appraisal, emotion, and relationship marketing theory, this research offers a conceptual model that delineates emotions as explanatory mechanisms of service customization. The results indicate that emotions, particularly gratitude, can account for customization’s positive effect on trust and subsequently loyalty. These findings offer implications for theory and marketing managers, as well as reveal fruitful avenues for future research.

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1. Introduction

Recent discussions in the popular press are sounding the alarm that today’s customers expect customization. As noted by Reed (2014, p. 43), “Consumers expect real-time, customized everything at any touch point.” The PricewaterhouseCoopers and TNS Retail Forward (2015) report offers additional evidence of this trend, reporting that customers are proactively pursuing individualized products and services. This movement has not been overlooked by practitioners; instead, some firms have reacted by including customization as key part of their marketing strategy. For instance, customization and personalization of products plays a major role in Nike’s \$7 billion online expansion plans (Comstock, 2015). In fact, Nike CEO Mark Parker predicts such individualization is becoming a mainstream customer demand, “Customization is one of those expectations...that consumers will have of their product going forward, so we intend not to just participate but to lead in that area” (Ghosh, 2015). Given the growing trend in customization, a need exists for researchers and practitioners to respond.

The services literature recognizes that frontline employees are often the party responsible for meeting customers’ idiosyncratic needs and identifies two dimensions of employee customization efforts (Gwinner, Bitner, Brown, & Kumar, 2005). One dimension is to customize the *service process*, which involves frontline employees (FLE hereafter) guiding customers through the decision-making process and adapting

to customer needs as they search for, identify and consider various solutions. A second dimension is to customize the *service offering* (i.e., the product or service), which results in a unique bundle of benefits designed specifically for customers. Both dimensions are in accordance with the definition of service customization, which is defined as “any behaviors occurring in the interaction intended to contribute to the individuation of the customer” (Suprenant & Solomon, 1987, p. 87). Despite scholars’ long-held interest in service customization and its managerial relevance, limited research investigates why service customization produces positive relational outcomes (Coelho & Henseler, 2012; Suprenant & Solomon, 1987). Thus, the current research addresses this gap by examining how both dimensions of service customization influence customer loyalty.

This work contributes to the marketing literature in three important ways. First, extant research provides little guidance on understanding the mechanisms responsible for the effect of adaptation practices on loyalty (Coelho & Henseler, 2012). To date, only cognitive explanations, such as the important relational component of trust (Ball, Coelho, & Vilares, 2006; Coelho & Henseler, 2012), have been considered. This research contributes by demonstrating that both cognitive (trust) and affective (emotions) mechanisms can account for the effects of customization on loyalty, and indeed emotions represent a missing link between customization and trust. Second, extant research fails to simultaneously assess both types of service customization on relational outcomes; therefore, this research adds to the literature by examining each type of customization in isolation and in combination. Third, research on interpersonal adaptive behavior tends to be studied from the employee perspective, rarely considering the customer’s view of

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this type of adaptation in relation to adapting the product or service offering. Thus, the current research contributes by examining customization through the customer's lens.

2. Conceptual background

2.1. Types of customization

FLEs can engage in service customization by either customizing the service offering, referred to as service offering adaptation, or by customizing the service process, referred to as interpersonal adaptive behavior (See Gwinner et al., 2005 for a more detailed review). In contrast with service offering adaptation, interpersonal adaptive behavior refers to customizing the service process and the interpersonal elements (i.e., communication, presentation style, and social behaviors) within the customer–employee interaction (Gwinner et al., 2005; Roman & Iacobucci, 2010). Despite literature linking customization to favorable firm outcomes (Ball et al., 2006; Ostrom & Iacobucci, 1995; Suprenant & Solomon, 1987), related literature suggests that customer emotions can result from appraisals of employee behavior, such as customization, and can in turn influence customer evaluations. Given the growing demand for customization and that its practice aligns with customer needs (Ghosh, 2015; Reed, 2014), customers likely appraise customization positively, thereby eliciting positive customer emotions. Thus, positive emotions may account for the positive effects of customization on key relational outcomes, such as trust and loyalty.

2.2. Emotion research

Seminal research in the marketing literature defines emotion as “a mental state of readiness that arises from cognitive appraisals of situations or thoughts” (Bagozzi, Gopinath, & Nyer 1999). This definition coincides with cognitive appraisal theory, a closely related successor of attribution theory, which suggests that emotions arise from cognitive appraisals of situations, and that the combination of appraisals elicits distinct emotional states (For a review, see Johnson & Stewart, 2005). Because of customers' demand for customization (Ghosh, 2015; Reed, 2014) as well as the FLE's role in the customization process (Gwinner et al., 2005), two appraisals likely relevant to how customers construe service customization include *outcome desirability* and *agency*. Research suggests that consumers first appraise outcome desirability, which distinguishes positive and negative emotions (Johnson & Stewart, 2005). That is, situations appraised as having desirable outcomes elicit favorable emotions, whereas those appraised with undesirable outcomes elicit unfavorable emotions. Consequently, customers likely appraise customization as desirable, thus, eliciting positive emotions. After appraising the outcome, subsequent appraisals, such as interpreting the agency responsible for the situation, can be undertaken to further understand why a situation occurred, therefore eliciting different emotions. For example, pride is elicited by construing oneself as responsible for a positive outcome, whereas gratitude is elicited by construing an external agent as responsible for a positive outcome. In summary, the current research is founded on extant emotion literature, theorizing that through appraisals, service customization elicits positive customer emotions (and reduces negative emotions; Study 2), which in turn, impact judgments of FLE trust and loyalty.

2.3. Delight

Delight is considered a highly arousing positive emotion that arises from positive disconfirmation, whereby customers perceive performance as surpassing their expectations (Oliver, Rust, & Varki, 1997). Service offering adaptation implies customizing offerings specific to customer needs, which thereby produces value, signifies quality, and ultimately establishes a better fit between a customer's needs and the product purchased (Ostrom & Iacobucci, 1995). Accordingly, customers

attaining customized offerings are likely to appraise the outcome as desirable (i.e., outcome desirability appraisal) and experience delight. Consistent with this expectation, Arnold, Reynolds, Ponder, and Lueg (2005) find that 22% of informants' delightful shopping experiences were linked to non-interpersonal factors, such as acquiring exactly the right product. Likewise, a study by Barnes, Beauchamp, and Webster (2010) find 8.9% of delightful encounters as being affiliated with the core product. Cognitive appraisal theory and these patterns indicate that adapting offerings to better fit customer needs, that is, service offering adaptation, should elicit delight.

H1. Service offering adaptation will positively influence customer delight.

Extant research offers evidence that delight may be driven by interpersonal adaptive behavior. While not studying interpersonal adaptive behavior, Arnold et al. (2005) find different interpersonal factors such as FLE helpfulness, effort, engagement, friendliness, and commitment (i.e., putting forth extra time to help the customer) as influencing delightful experiences. Barnes, Ponder, and Dugar (2011) also find these interpersonal factors present in customer experiences of delight with an additional antecedent including perceptions of FLE skill.

H2. Interpersonal adaptive behavior will positively influence customer delight.

2.4. Gratitude

Gratitude is a positive, social emotion that results from an individual (i.e., beneficiary) construing that another agency (e.g. FLE) has provided a benefit (i.e., other-agency appraisal), and it is enhanced when the benefit is appraised as valuable, costly to the benefactor, or benevolently given (Wood, Maltby, Stewart, Linley, & Joseph, 2008). Customization occurring through adapting a service offering inherently increases benefit value by providing an offering unique to a customer's needs. Since other-agency and benefit value appraisals elicit gratitude (Wood et al., 2008), customized offerings, as provided by FLEs, likely produce customer gratitude.

H3. Service offering adaptation will positively influence customer gratitude.

The social nature of service encounters also presents a favorable environment for the elicitation of gratitude. An extensive study by Bitner, Booms, and Tetreault (1990) reveals the significance of interpersonal behavior on customer responses within the service encounter. Particularly, these authors find that very satisfactory encounters are affiliated with unsolicited FLE actions exemplifying expressions of thoughtfulness or interest in the customer. Following cognitive appraisal theory, these FLE actions can be construed as benefits and may elicit an interpersonal appraisal regarding how thoughtful a benefactor was in providing a benefit. Benefactor thoughtfulness is critical to generating gratitude (Algoe, Haidt, & Gable, 2008), therefore interpersonal adaptive behavior is likely to generate appraisals of benefactor thoughtfulness, and thus, provoke feelings of gratitude.

H4. Interpersonal adaptive behavior will positively influence customer gratitude.

2.5. Delight to gratitude

Experiences of delight, which fundamentally stem from obtaining a desirable outcome, should prompt subsequent appraisals to provide meaning of a situation. Particularly, an other-agency appraisal should transpire as the customized benefit was provided by the FLE (i.e., other agent). Since appraising another agent as responsible for a

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