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Customer participation, value co-creation and customer loyalty – A case of airline online check-in system



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ABSTRACT

Information communication technologies and self-service technologies, such as self-check-in kiosks or online check-in systems, are widely used in the air transport industry. This study proposes a conceptual model to investigate the relationships among customer participation, co-created values and customer loyalty in an air transport context, and empirically tests the model by using questionnaire survey data collected from Taiwanese airline passengers. In particular, three perceived values (i.e. enjoyment value, economic value and relational value) are specified to represent the passengers' co-created values. The empirical results support the following hypotheses. Customer participation in using an online check-in system is positively related to all three values, which further lead to satisfaction with respect to the system. System satisfaction is also related to satisfaction with respect to the company, and both system satisfaction and company satisfaction have positive effects on customer loyalty.

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1. Introduction

Information communication technology has widely transformed the interactions between service providers and consumers. With advances in information communication technology, self-service technology is replacing staff in many counter operations, enabling customers to participate directly in the service process, without employees getting involved (Bitner, Ostrom, & Meuter, 2002; Meuter, Ostrom, Roundtree, & Bitner, 2000). This allows the service company to provide services anytime, and anywhere (Lyytinen & Yoo, 2002). For example, both information communication technologies and self-service technologies, such as self-check-in kiosks or online check-in systems, are widely used in the air transport industry. The self-service technologies in check-in services not only allow airlines to optimize space and bring down their operating costs, but also help passengers to save time and money through the better and faster interactions they enable between service providers and their customers. In addition to airline's willingness to adopt the self-service technologies, the success and benefits of such technologies rely crucially on customer participation.

Based on the service-dominant logic of marketing (Vargo & Lusch, 2004), the customer is always a co-creator of value. The service-dominant logic thus views customers as proactive co-creators rather than as passive receivers of value, and sees companies as facilitators of the value co-creation process, rather than as producers of standardized value (Chan, Yim, & Lam, 2010; Payne, Storbacka, & Frow, 2008). Customer participation is also consistent with the notion of "prosumption", defined by Xie, Bagozzi, and Troye (2008) as value creation activities undertaken by the consumer that result in the production of products they eventually consume and that become their consumption experiences. Based upon both provider's and user's activity levels, Wunderlich, Wangenheim, and Bitner (2013) propose a smart service interactivity matrix with four types of smart services, such as interactive service, self-service, machine-to-machine service and provider active service. Here, self-service refers to those services with the characteristics of high user activity but low provider activity. Airline online check-in systems are one of the typical business-to-customer examples for the use of self-service technologies. Through customer participation, such systems can make it easy for passengers to check-in online anytime and anywhere, and not only reduce the costs and resources needed for the airline, but also provide better service to passengers. As such, the values shared by the airline and passengers can be co-created. Although the concepts of service-dominant logic and value proposition are

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increasingly in use, little empirical research in the business-to-customer context (Chan et al., 2010) has investigated how customer participation affects customer perceived values, and how the perceived values affect customer satisfaction and loyalty, the benefits that are sought by the firms that use such technologies.

Since value co-creation is a central tenet of the service-dominant logic and the main premise of customer participation (Chan et al., 2010; FitzPatrick, Davey, Muller, & Davey, 2013), this study proposes a conceptual model to investigate how customer participation enables customers to co-create the intrinsic as well as extrinsic values of participation, which then affect their satisfaction and behavioral outcomes in an airline service context (see Fig. 1). Specifically, three types of values (i.e., enjoyment value, economic value and relational value) are specified to measure the passengers' co-created values through their participation in using an online check-in system.

2. Theoretical background and hypotheses development

2.1. Customer participation and co-created values

According to the service-dominant logic, customers are viewed as proactive value co-creators rather than passive receivers of value, and companies are thus urged to take up the role of facilitators of the value co-creation process (Payne et al., 2008). Customer participation reflects the related efforts in co-producing a service (Chan et al., 2010), and such participation enables companies to derive closer and more profitable relationships with their customers (Bendapudi & Leone, 2003; Payne et al., 2008). In particular, customer participation is a critical component of the value co-creation process in the context of self-service technologies. Due to the characteristics of a high user activity level but low provider activity level (Wunderlich et al., 2013). Value co-creation is a central tenet of the service-dominant logic, and the main premise of customer participation. Customer participation has been shown to deliver value to both customers and firms (Auh, Bell, McLeod, & Shih, 2007; Chan et al., 2010; Dong, Evans, & Zou, 2008; Yim, Chan, & Lam, 2012), and customers who perceive more value through their co-producing a service tend to be more satisfied (Chan et al., 2010; Dong et al., 2008; Ouschan, Sweeney, & Johnson, 2006; Yim et al., 2012). However, past findings about the effect of customer participation on service outcomes, such as customer satisfaction and loyalty, are mixed and inconsistent (Chan et al., 2010; Yim et al., 2012). In light of the main premise of the service-dominant logic, customer participation itself is not the key

to greater customer satisfaction, but instead it is the co-created values that are important here. Service research suggests that service customers require extrinsic as well as intrinsic rewards as motivations for participation in self-service or coproduction service tasks (Dabholkar & Bagozzi, 2002; Etgar, 2008; Yim et al., 2012). Therefore, the co-created values might act as critical mediators between customer participation and service outcomes, such as customer satisfaction and loyalty. Holbrook (1999) proposes a typology of value based on three dimensions: self-oriented vs. other-oriented, active vs. reactive, and extrinsic vs. intrinsic. In this study, we consider both the extrinsic values (economic and relational) and intrinsic value (enjoyment) that drive customers to participate in service coproduction. Economic value pertains to the benefit and cost outcomes of the core services, such as offering better quality, customized services, and ceding more control to customers, whereas relational value relates to the value derived from the emotional or relational bonds between customers and service providers (Yim et al., 2012). In contrast, intrinsic value refers to intrinsic rewards or psychological benefits, such as fun, pleasure and enjoyment, that occurs in the experience of consumption (Dabholkar & Bagozzi, 2002; Etgar, 2008). Recent studies have confirmed the co-creation of enjoyment, economic and relational values through customer participation (Chan et al., 2010; Yim et al., 2012). Therefore, we propose the following hypotheses:

H1. Customer participation is positively related to co-created values.

H1a. Customer participation is positively related to enjoyment value.

H1b. Customer participation is positively related to economic value.

H1c. Customer participation is positively related to relational value.

2.2. Co-created values and satisfaction

Perceived value represents customer cognition of the nature of the relational exchanges that occur with their suppliers, and satisfaction reflects the overall feeling that customers derive from the perceived value (Woodruff, 1997). More specifically, satisfaction refers to the perceived discrepancy between prior expectation and perceived performance after consumption – when performance differs from expectation, dissatisfaction occurs (Oliver, 1980). A large body of empirical evidence shows that customer-perceived

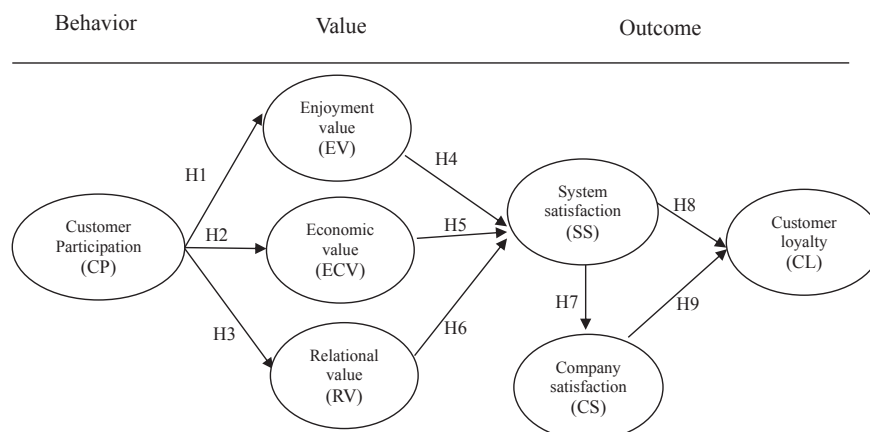


Fig. 1. The conceptual model.

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