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Spotlight on customization: An analysis of necessity and sufficiency in services

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ABSTRACT

This study aims to advance the service management literature by further illuminating the relationships between service employees' adaptive behaviors and customer satisfaction. Using data from a survey of 349 customers of an insurance company, this study employs fuzzy-set Qualitative Comparative Analysis to examine how distinct levels of service-offering adaptive behavior and interpersonal adaptive behavior relate to customer satisfaction. The results show that interpersonal adaptive behavior is a necessary condition or, in other words, a prerequisite for high customer satisfaction. In addition, the results show that a high level of service-offering adaptive behavior is a sufficient condition or, in other words, a guarantee for high customer satisfaction. These findings improve the understanding of the explicit connections between customization approaches and satisfaction in services and help guide service managers in developing effective and efficient service designs.

1. Introduction

Customization strategies that focus on providing customers with individually tailored goods and services have received considerable interest in business practice and academic research (e.g., Leischnig & Kasper-Brauer, 2015). A recent analysis of 40 business models of companies such as Airbnb, Dell, Ikea, Ryanair, and Uber reveals customization of offerings as one of the key mechanisms to realize business success (Kavadias, Ladas, & Loch, 2016). The basic logic of customization is to generate superior customer benefits by addressing individual customers' specific needs and wants.

Although studies indicate that technology has an important role in the creation of customer-tailored solutions (e.g., Chung, Rust, & Wedel, 2009; Chung, Wedel, & Rust, 2016; Hauser, Liberali, & Urban, 2014), customizing offerings at the individual customer level often requires interpersonal intervention (Bettencourt & Gwinner, 1996). Especially in service encounters, customers expect flexibility and individualized solutions (Bettencourt & Gwinner, 1996). "Customers do not like rigid rules—they want services that fit their individual needs, and they do not understand when rules cannot be broken or bent" (Bitner, Brown, & Meuter, 2000, p. 142). To address such customer expectations and demands, frontline service employees need to perform discretionary behaviors to adjust the service to the needs and wants of customers (Bettencourt & Gwinner, 1996; Gwinner, Bitner, Brown, & Kumar,

2005; Kelley, 1993). The adaptive behaviors of employees involve adjustments of the service outcomes on the one hand, but also adjustments of the service process on the other hand, thus encompassing service-offering- and delivery-related adaptive behaviors.

In examining the consequences of service customization, prior research indicates several beneficial effects, such as increased customer satisfaction, trust, and loyalty (e.g., Coelho & Henseler, 2012; Ostrom & Iacobucci, 1995). Despite these favorable effects, however, some studies indicate that service customization can pose major challenges for service providers or can even come with disadvantages. For example, high customization can lead to more complex service production processes (Skaggs & Huffman, 2003) and goal conflicts pertaining to satisfaction and productivity goals (Rust & Chung, 2006). "[W]hen customers desire different types and levels of features, more personal service, etc., then productivity and customer satisfaction are more likely to be in conflict" (Anderson, Fornell, & Rust, 1997, p. 133). In addition, greater service customization does not necessarily result in a more positive customer service experience (Solomon, Surprenant, Czepiel, & Gutman, 1985) and might incur negative privacy halo effects (Shen & Ball, 2009).

Given these challenges and the mixed findings regarding the implications of customization, the purpose of this study is to contribute to the service literature by empirically examining the explicit connections (Ragin, 2008) between customization through employee adaptive

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behaviors and customer satisfaction. Specifically, this study examines the *necessity* and *sufficiency* of service employees' adaptive behaviors (i.e., service-offering adaptive behavior and interpersonal adaptive behavior) for customer satisfaction, considering *distinct levels* of both employee adaptive behaviors. Necessity and sufficiency are fundamental aspects of causation (Dul, 2016; Fiss, Marx, & Cambré, 2013; Ragin, 2006) and, as such, have sparked a wealth of research in a variety of academic disciplines. Necessity means that a condition must be present for an outcome to occur, and sufficiency means that a condition can bring about an outcome (Ragin, 2008). The consideration of distinct levels of conditions provides fine-grained insights into explicit connections by disclosing necessary and/or sufficient extents of conditions (i.e., basic or high level of conditions).

The primary research question of this study is what levels of employee adaptive behaviors are necessary and/or sufficient for high customer satisfaction? Answering this question would offer insights into prerequisites and guarantees for customer satisfaction in service situations. Such knowledge is useful, because it (1) contributes to a deeper understanding of how distinct levels of service customization approaches relate to customer satisfaction, (2) provides vision for the asymmetric causal effects that may characterize service encounters, and (3) offers guidelines for service design and delivery in terms of weighing satisfaction- and productivity-related goals.

To achieve these objectives, this study analyzes data from a survey of 349 customers of an insurance provider, using fuzzy-set Qualitative Comparative Analysis (fsQCA; Ragin, 2008). The results of the analyses indicate that a basic level of interpersonal adaptive behavior is a necessary and non-trivial condition for high customer satisfaction and that a high level of service-offering adaptive behavior is a sufficient condition for high customer satisfaction. In addition, the results show that a combination of interpersonal and service-offering adaptive behavior at both a basic level and a high level is sufficient for high customer satisfaction, with interpersonal and service-offering adaptive behaviors at high levels achieving greater consistency than those at basic levels. In summary, these findings offer several novel insights into the relationships between employee adaptive behaviors and customer satisfaction in services, which allow for implications regarding the implementation of customization approaches.

2. Conceptual background

2.1. Service customization and discretionary employee behaviors

Both practitioners and researchers pay attention to customization in offering development and delivery (e.g., Franke, Keinz, & Steger, 2009). While research on customization in the product domain is fairly extensive, research on service customization is still in its infancy (Kannan & Healey, 2011). Solomon et al. (1985) and Surprenant and Solomon (1987) were among the first researchers to systematically discuss the role of personalization of services. They suggest a multi-faceted conceptualization of the concept that covers the service outcome and the service process and that comprises option personalization, programmed personalization, and customized personalization (Surprenant & Solomon, 1987). Option personalization focuses on the service outcome and allows customers to choose from a set of service possibilities. Programmed personalization focuses on the service process and pertains to the embellishment of routinized actions by personal referents. Finally, customized personalization, which concerns the service process as well, involves assisting the customer in attaining “the best possible form of the service offering for his or her needs” (Surprenant & Solomon, 1987, p. 89).

Since these early works, several studies have further illuminated the role and nature of service customization, thus advancing the understanding of the concept and its underlying dimensions. For example, Kelley (1993) emphasizes the concept of discretion, which is associated

with an employee's ability to select and develop alternative means for performing a task. With regard to the extent to which alternative means for accomplishing a task are available to the employee, Kelley (1993) distinguishes routine, creative, and deviant discretion. In addition, Bettencourt and Gwinner (1996) and Gwinner et al. (2005) introduce the concept of employee adaptiveness, which they conceptualize as a two-dimensional construct encompassing service-offering adaptive behavior and interpersonal adaptive behavior.

In essence, prior research converges on the idea that service customization is a purposeful process to fit the service to the specific needs of the customer. This process entails adjustments to the actual service offering and the service delivery mode. In many situations, the process relies on frontline employees' adaptiveness, making employee adaptive behavior—that is, “the deliberate modification of the service offering and/or the employee's interpersonal behavior in a situationally appropriate manner in response to meeting perceived consumer needs” (Gwinner et al., 2005, p. 135)—a key concept for implementation of customization at the customer-contact level. In this respect, this study focuses on employee adaptive behavior and examines its relationship to customer satisfaction.

2.2. Effects of service customization

Focusing on the consequences of service customization and its effect on customer satisfaction in particular, prior research reveals mixed findings and diverging opinions. On the one hand, service employees' discretionary behaviors should increase customer satisfaction, because employees provide more customer-oriented service (Kelley, 1993), and customers who experience customized service encounters are likely to be more satisfied than customers who experience standardized service encounters (Bettencourt & Gwinner, 1996). From the results of an analysis of consumer evaluations of services in terms of service attributes, Ostrom and Iacobucci (1995, p. 25) conclude that “managers who seek satisfaction should make sure they excel at customization,” thus indicating a positive effect of service customization on customer satisfaction. This result finds support in Coelho and Henseler's (2012) empirical study, which reveals a significant, positive effect of service customization on customer satisfaction as well as a significant, positive effect on trust and loyalty.

On the other hand, studies indicate that the relationship between customization and satisfaction is less clear. For example, in examining the effects of different service attributes on customers' quality and satisfaction evaluations, Iacobucci, Ostrom, and Grayson (1995) find no support for a significant, positive effect of customization on customer satisfaction. Huffman and Kahn (1998) note that frustration and information overload may become a concern when firms use customization as a way to provide customers with customer-tailored offerings. In addition, customization might incur negative results such as negative privacy halo effects (Shen & Ball, 2009), which may lead to unfavorable customer satisfaction judgments.

In this respect, this study aims to further illuminate the relationship between service customization through employee adaptive behaviors and customer satisfaction by examining the respective explicit connections in terms of necessity and sufficiency. In addition, considering that service customization may result in lower efficiency and higher costs, thus running counter to productivity goals and leading to a trade-off between satisfaction and productivity (Anderson et al., 1997; Rust & Chung, 2006), this study allows for different levels of employee adaptive behaviors by distinguishing between a basic level and a high level of service-offering adaptive behavior and interpersonal adaptive behavior. To examine the necessity and sufficiency of employee adaptive behaviors at basic and high levels for high customer satisfaction, this study conducted an empirical investigation.

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