

COMPETING WITH QUALITY SERVICE IN GOOD TIMES AND BAD*

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The economic storm experienced globally is the perfect time for companies to recommit to improving service quality. Quality service creates value for customers, and superior value – the best way to compete at any time – is the *only* way to compete during a recession. This article discusses and dissects the pillars of competing with service excellence: great employees, reliable service, respect and pleasant surprises, and convenience.

Research Category: Service Experience and Co-creation

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DRIVERS OF CUSTOMERS' SERVICE EXPERIENCES, A STUDY IN THE RESTAURANT INDUSTRY*

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This article identifies and describes the frequent drivers of favourable and unfavourable customer experiences as described by customers in their own words. The frequent drivers are social interactions, the core service and the physical context. Furthermore the dynamics of resource interactions in customer experiences are shown, with the customer participating as an actor involved when the service is co-created through interactions. The findings are illustrated by extracts from customer narratives and show how experiences come up and that experiences are processes occurring in a social and physical environment when people do things together. The study context is the restaurant setting.

For managers the results suggest that great effort needs to be put into understanding the process of customer experiences and the various interactions involved, especially social interactions and the crucial roles of management, contact employees and customers supporting these interactions.

Research Category: Service Experience and Co-creation

* This article is based on a Critical Incident Technique study building on favourable and unfavourable narratives about customer experiences and an inductive data analysis. The paper will appear in *Managing Service Quality*, Vol 20 (3, May 2010).

TOWARD A THEORY OF REPEATED PURCHASE DRIVERS FOR CONSUMER SERVICES*

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The marketing discipline's knowledge about the drivers of service customers' repeat purchase behavior is highly fragmented. This research attempts to overcome that fragmented state of knowledge by making major advances toward a theory of repeat purchase drivers for consumer services. Drawing on means–end theory, the authors develop a hierarchical classification scheme that organizes repeat purchase drivers into an integrative and comprehensive framework. They then identify drivers on the basis of 188 face-to-face laddering interviews in two countries (USA and Germany) and assess the drivers' importance and interrelations through a national probability sample survey of 618 service customers. In addition to presenting an exhaustive and coherent set of hierarchical repeat purchase drivers, the authors provide theoretical explanations for how and why drivers relate to one another and to repeat purchase behavior. The framework also provides companies with specific information about how to manage long-term customer relationships successfully.

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PROFITING FROM SERVICE FAILURE AND RECOVERY

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Studies have investigated the effect of customer-firm identification on customer loyalty, but little work investigates how service failures can disrupt this bond, how such disruptions can be amended and the resulting financial consequences for the firm.

This study addresses the following questions. First, do service failures adversely impact customer self-identities? Second, what types of failures impact what aspects of identity? Third, what (if any) are the financial consequences of identity failures and corresponding recoveries? Our data comes from a survey of a large sample of respondents who reported actual service failures and experienced later recoveries. Moreover, we relate their perceptions to financial outcome data supplied by access to longitudinal transactional data for the same customers.

This research contributes in several ways. We develop a theory of how service failures negatively impact customer identity enhancement goals. We also provide managers with an empirical demonstration of the impact of specific identity-focused service recoveries on actual customer profitability.

Research Category: Service Experience and Co-creation

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A PROCESS THEORY OF CUSTOMER DEFECTION IN BUSINESS-TO-BUSINESS RELATIONSHIPS

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The results of this study will help marketing managers understand how their customers make defection decisions, providing them with a framework for managing customer relationships more successfully. Among the findings relevant for managers, the study illustrates how important it is for the supplier company to successfully meet both individual-level and organizational-level goals, values, and practices. The process and threshold perspective used here also demonstrates the importance of taking a more long-term perspective on defection. The results show that defection decisions are made over many months or even years, in which defection energy builds as a result of many events – often ones the vendor would consider small or overlook entirely – and that the decision is rarely the result of a single focal failure at the end of the relationship. This research also demonstrates that defection decisions can be influenced by events outside the core good/service delivery interactions that may grab the lion's share of the manager's attention.

Research Category: Service Experience and Co-creation

Working Paper

THE EFFECT OF UTILITARIAN, HEDONIC, AND ECONOMIC VALUE IN SELF-PRODUCTION VERSUS CO-PRODUCTION DECISIONS

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This study investigates the moderating role of relationship age on the relationship between customer satisfaction and customer defection behavior in business-to-business relationships. In the context of a business financial service provider, we show that the link between satisfaction and defection follows different functional forms for short-term, versus medium-term, versus long-term clients. For short-term clients, we find a linear relationship, i.e. higher levels of satisfaction protect against defection. For medium-term clients, we find no relationship between satisfaction and defection. For long-term clients, we find a quadratic, inverted U-shape relationship between satisfaction and defection. As a result, long-term clients at a mid-level of satisfaction are at the highest risk of defection. We discuss implications for research and practitioners and suggest several avenues for future research.

Research Category: Service Experience and Co-creation

Working Paper

CAPITALIZING ON KUDOS AND CRITICISM: THE INFLUENCE OF SOLICITING FEEDBACK AND COMPANY ACKNOWLEDGMENT ON CUSTOMER ATTITUDES AND REPATRONAGE BEHAVIOR

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Most research investigating effects of customer voice on customer loyalty focuses on complaints rather than compliments. In three experiments, the effect of soliciting and acknowledging compliments and complaints on customer attitudes and behavior is investigated. Results reveal that customers asked for feedback view their service encounters more favorably than those not asked. Increased customer repatronage is shown in a 2-year field study of a large U.S. portrait studio chain for customers solicited for compliments. Soliciting feedback affects both immediate attitudes and elicits expectations for acknowledgment that bear heavily on whether companies maintain benefits of soliciting customer opinions; failure to acknowledge customer feedback (complaints and compliments) is detrimental. Customers must feel that their feedback, both positive and negative, is valued. Managers should implement processes to collect and acknowledge positive and negative feedback. We advocate a feedback management system that goes beyond recovering service failures to proactively cultivating positive customer attitudes.

Research Category: Service Experience and Co-creation

Bone, Sterling A., Katherine N. Lemon, Katie A. Liljenquist, R. Bruce Money, and Kristen B. DeTienne (2009), "Capitalizing on Kudos and Criticism: The Influence of Soliciting Feedback and Company Acknowledgment on Customer Attitudes and Repatronage Behavior," Working Paper, Boston College. Also published as part of the MSI Working Paper Series, MSI Report No. 09-113.

EFFECTS OF CUSTOMER CO-PRODUCTION BEHAVIORS AND POSITIVITY ON PERCEPTIONS OF A PROFESSIONAL SERVICE EXPERIENCE *

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Contributing to our understanding of the effects of customer participation, we evaluate the effects of customer co-production behavior (behavioral participation during a specific service experience) and customer positivity (the ratio of pleasant feelings to unpleasant ones during a specific service experience) on the relationships among functional service quality, technical service quality, and satisfaction.

Ordinary least squares regression and bootstrapped mediation analyses of data collected from 190 patients treated for a wide variety of health conditions show that:

- Positivity is associated with higher levels of co-production behavior during a healthcare service experience, even under conditions of high levels of outcome uncertainty (health risk),
- Increased customer co-production behaviors significantly affect perceived dimensions of service quality (technical and functional).
- Patient perceptions of service quality significantly relate levels of customer inputs (co-production behaviors and positivity) to patient satisfaction with the healthcare experience.

In sum, it appears that a customer's positive outlook drives increased co-production behaviors, which then enhances the quality of and subsequent satisfaction with a service experience.

Research Category: Service Experience and Co-creation

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CO-PRODUCTION: A FEAR-WEATHER SYNDROME?

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An emerging perspective in marketing considers customers as actively involved in the production, delivery and consumption of services. While there are different terms for this – co-production, co-creation, prosumption – the underlying assumption is that customers are able and willing to be involved in the creation of value. In this paper we challenge this idea to some degree. Building on Prahalad's (2004) five phases of co-production (customer engagement, self-services, customer involvement, problem solving and co-designing), we investigate the association of these five phases on value co-production. We find that customers want to co-produce in all but one of the elements; problem solving. In other words, dissatisfied customers do not want to be involved in helping a company to find a solution to their problem. This finding is robust among high and low experienced users who neither of this group want to be involved in problem solving. From this we conclude that co-production is a fear-weather syndrome, i.e. only when the service functions as expected are customers willing to co-produce.

Research Category: Service Experience and Co-creation

Research in progress

THE SERVICE RECOVERY PARADOX: TRUE BUT OVERRATED?

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This article explores the concept of a service recovery paradox—where customers are more satisfied after a service failure and recovery than they are after an adequately delivered service. The study was conducted in a banking context with over 11,000 customer interviews based on actual customer encounters with the bank.

The authors establish that the service recovery paradox is in fact real. More importantly the magnitude and frequency of a service recovery paradox is assessed and we conclude that they are rare events and the impact is small, but significant. Although reliable, error free service delivery is critical; the study highlights the valuable contribution of a strong service recovery program.

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IS CUSTOMER PARTICIPATION IN VALUE CREATION A DOUBLE-EDGED SWORD? EVIDENCE FROM PROFESSIONAL FINANCIAL SERVICES ACROSS CULTURES*

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Emergent perspectives in marketing highlight new opportunities for co-opting customers as a means to define and cocreate value through their participation. This study examines how customer participation (CP) drives value creation and satisfaction for both customers and employees with different cultural value orientations in the context of professional financial services. Results from analyzing data collected from 349 pairs of customers and service employees in two national groups (Hong Kong and the United States) suggest that promoting CP could be a double-edged sword for firms: CP enhances customers' economic value attainment and strengthens the relational bond, but it also increases employees' job stress and hampers their job satisfaction. Moreover, the effects of CP on value creation depend on the cultural values; this result implies that arranging customers and service employees with "matched" cultural value orientations could facilitate the creation of value through CP.

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EXPANDING UNDERSTANDING OF SERVICE EXCHANGE AND VALUE CO-CREATION: A SOCIAL CONSTRUCTION APPROACH

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According to service-dominant logic (S-D logic), all providers are service providers, and service is the fundamental basis of exchange. Value is co-created with customers and assessed on the basis of value-in-context. However, the extensive literature on S-D logic could benefit from paying explicit attention to the fact that both service exchange and value co-creation are influenced by social forces. The aim of this study is to expand understanding of service exchange and value co-creation by complementing these central aspects of S-D logic with key concepts from social construction theories (social structures, social systems, roles, positions, interactions, and reproduction of social structures). The study develops and describes a new framework for understanding how the concepts of service exchange and value co-creation are affected by recognizing that they are embedded in social systems. The study contends that value should be understood as value-in-social-context and that value is a social construction. Value co-creation is shaped by social forces, is reproduced in social structures, and can be asymmetric for the actors involved. Service exchanges are dynamic, and actors learn and change their roles within dynamic service systems.

Research Category: Service Experience and Co-creation

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