

MODERATING ROLE OF SERVICE SEPARATION ON CUSTOMER-FIRM RELATIONSHIPS

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ABSTRACT

Interpersonal service encounters are generally viewed as *inseparable*, because customers and employees are expected to co-create the service by interacting with each other in a face-to-face manner (Zeithaml, Bitner and Gremler 2006). However, the recent introduction of mobile and online self-service technologies (SSTs) has remodeled the customer interface to a point where the personal service encounter is dramatically altered, or even eliminated altogether (Bitner, Brown and Meuter 2000, p.141). Research in this domain generally lauds the use of SSTs because these forms of technology allow customers to experience services in the absence of employees (Meuter et al. 2000) and therefore potentially reduces costs for the service organization at the same time potentially changing the roles in the service episode to one that is *customer dominated*. Through this customers are also able to gain convenience benefits as they can largely determine the time and place of the service offering. This also means that whilst the service organization and customer potentially benefit from SSTs this is likely to come at some cost to the service organization - therefore needing closer examination.

Specifically, the longer-term consequences of service separation on the building and maintaining of customer relationships; that would be grounded in social exchange (SE) theory (Thibaut and Kelley 1959; Cook and Emerson 1978) when customers and employees engage with one another; are not yet fully understood. Elevated interactions are one of the hallmarks of the SE relationships (Tsiotsou 2016), signifying the importance of developing and maintaining long-term relationships for service-oriented businesses (Palmatier et al. 2006). Past research suggests that disconnecting customers from the service employee may have serious repercussions on the efforts to build relationships because it disrupts the critical social exchange processes needed to develop mutual trust and commitment; a process which in turn helps to create and nurture meaningful customer-firm relationships (Gwinner, Gremler and Bitner 1998; Hennig-Thurau, Gwinner and Gremler 2002). Indeed, as interactivity is also a function of the value co-creation process it is also an integral part of customer relationship management (Vargo and Lusch 2004). Hence, if the implementation of SST's into the service organization is not managed properly then those disconnected customers

emanating through service separation may result in the loss of customer trust, commitment and loyalty, therefore hurting the organization's long-term profitability.

Despite the possibility of such dire consequences, there is hardly any research on the relational consequences of service separation via mobile and online technologies on customer relationships (Paluch and Blut 2013). We address this important research gap by examining the impact of SSTs on the core relational constructs of trust, commitment and loyalty. We argue that indiscriminate and unmonitored use of SSTs may have serious consequences for service firms' relational building efforts by reducing the social benefits associated with interpersonal interactions (Johns and Perrott 2008). This in turn could have a negative impact not only on the process by which new customer relationships are formed but also on the quality of both existing and new relationships (Yen and Gwinner 2003; Bhappu and Schultze 2006). Drawing on existing literature we hypothesize that social benefits positively impact both trust and commitment, which in turn result in both constructs leading to elevated customer loyalty. Trust is also hypothesized to impact commitment. Based on the above discussion, we then hypothesize further that service separation would negatively moderate the positive relationships among social benefits, relational trust, affective commitment and customer loyalty.

We test these hypotheses with a field-survey of retail-banking customers in Saudi Arabia (n=592) out of which 228 respondents prefer to use bank branches (unseparated) and the remaining 364 used online or phone banking (separated). The sample of respondents was derived by asking managers in 11 banks located in three large cities across the country to assist with the data collection. The research instrument was translated into Arabic using Douglas and Craig's (2007) methodology and comprised existing scales from the literature. Data analysis was conducted with the aid of AMOS 21 in which the measurement and structural models were subject to and conformed with the Anderson and Gerbing (1998) two-step procedure. From that, it was then established that all fit statistics were within the acceptable thresholds (e.g. Hair et al. 2010), suggesting a suitable fitting model. In that regard, all the hypothesized relationships among social benefits, trust, commitment and loyalty are found to be significantly positive. Moreover, all these relationships are significantly stronger for the unseparated (vs. separated) group as shown in a multi-group analysis of structural invariance (Dagger and Sweeny 2007; Jin, Park and Kim 2008; Dagger and O'Brien 2010).

Our findings will help service firms better understand the social aspects of their customer relationships and thus indicating these relationship elements must be deployed in the process of helping to improve customer loyalty through building social connections with their customers, regardless of how they deliver the services. Separated methods do offer cost advantages to banks and functional benefits to customers, but social connections with the provider cannot be neglected. Therefore, innovative approaches that yield social benefits for customers should be a priority for service firms in order to optimize their relationship building efforts.

KEYWORDS (Service separation, relationship building, loyalty)

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