

## Using Service Logic to Interpret Customers' Experiences during Call Centre Interactions

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### Abstract (120 words)

In the co-creation of value by firms and their customers, interactions serve as an important foundation for ongoing value-in-use. This study aims first, to explore customers' positive and negative experiences of interactions with frontline employees; and second, to interpret the findings using service logic. Responses to open-ended questions were collected via mail survey from two types of call centre customers, end consumers of insurance ( $n=289$ ) and business customers of a bank ( $n=325$ ). Both types of customers demonstrated similar concerns but a different emphasis. End consumers were preoccupied with value co-creation during the interaction, while business customers focused more on the outcome, and further value-in-use. The paper interprets the findings using Grönroos' (2009) value creation model, and includes managerial implications.

Keywords: S-D logic, co-creation, value-in-use, call centres

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### Introduction

A great many commentaries on the potential for service dominant (S-D) logic to progress our thinking about marketing have emerged since Vargo and Lusch's (2004) article. An undisputed theme in these discussions is the central role of value creation, and the need to rethink its meaning in a service frame, where service is defined as 'a process of doing something for another party' (Vargo & Lusch, 2008a, p. 255). As actors interact during the service process, value is 'co-created', with each party doing things for and with each other, and generating benefits in terms of service-for-service. In this optimistic situation, the locus of value creation moves from the 'producer' to a collaborative, problem solving process between parties, and their operant resources (knowledge and skills) represent the essential source of value co-creation (Vargo & Lusch, 2008b). In services that are essentially managed as 'pseudo production lines', for example call centres, such a shift in thinking represents a considerable challenge.

The title for this paper adopts Grönroos' (2008) view that we should use the term 'service logic' rather than S-D logic, based on the discourses which show it to be a new logic, rather than an approach that adds weight to the service aspect of another logic. Scholars call for a changed business logic, which involves interactions that support customers' value creation in everyday practices (e.g. Ballantyne & Varey, 2006; Grönroos, 2008; Lusch & Vargo, 2006; Vargo & Lusch, 2008b). Interaction *with* customers is necessary in service logic. The sixth foundational premise (FP6) of Vargo and Lusch (2008a, p. 2) states that 'the customer is always a co-creator of value', which implies that value creation must be interactional. Hence, an investigation is warranted into interactions, and the insights that interpreting them via a service logic can provide.

Interactions are dual and reciprocal. They enable the firm not only to facilitate customers' value creation but also, in a direct and active way, to influence the customer's perception of quality and therefore value-in-use (Ballantyne and Varey, 2006). That is, during interactions, the firm gets an opportunity to co-create value with its customers by reacting to expectations and thereby providing better support to customers (Grönroos, 2009). However, the ways that interactions can achieve outcomes such as generating information, developing meaning, and acquiring knowledge and flashes of inspired understanding, are not well documented (Ballantyne and Varey, 2006). Further, in practice, the means by which positive and negative experiences during customer service encounters lay a foundation for ongoing value-in-use is not yet clearly elaborated.

The application of service logic in call centre interactions is of particular interest for two reasons. First, service logic is built on processes and the call centre is the telephony site for the process of information exchange. It provides a source of post-sale value-in-use with considerable potential for value co-creation. Second, previous studies in call centres, from an organisational perspective, have suggested that efficiency is the dominating objective, with little concern for customer value creation or intangible service delivery issues (Gilmore, 2001; Taylor & Bain, 1999). Studies have established the service quality-productivity nexus, and demonstrated many issues which are confronted by call centre employees (Parasuraman, 2002; Singh, 2000). This study focuses on call centre customers, rather than employees. It addresses two major aims:

1. To explore customers' positive and negative experiences during service interactions; and

2. To use service logic to identify how those experiences might contribute to understanding value co-creation in the context of call centres.

While the present study uses a customer perspective, it does not lose sight of the ongoing role of the provider, and the potential for service-for-service. In proposing his 'value fulfilment' model Grönroos (2008, p. 308) notes that the supplier is a 'value facilitator by providing customers with a foundation for their value creation in the form of resources (goods, services, information or other resources) *and* a value co-creator during direct engagement in interactions with customers during their value-generating processes (consumption)'. Grönroos' (2009, p. 354) model explicates 'value-in-use' by using three stages, value facilitation (supplier) and value co-creation (supplier and customer) as noted above, and on-going sole value creation (customer). Grönroos' (2009) model forms the basis for interpreting and drawing conclusions from the current data.

## Method

Data were collected in Australia, from an insurance company and a bank. In each case, the customer sample was accessed by mail, with the organizations having provided names and addresses of a random sample of 2000 customers who had called during the preceding week. The two call centres represent different service contexts and are on opposite ends of the call centre quantity/quality continuum developed by Taylor et al. (2002). The insurance call centre manages a large volume of calls and employees are expected to complete them, including processing and any post-call work, within tight time schedules. In contrast, in the bank call centre, all employees have university-level qualifications in information technology, and they are expected to provide excellent service to business consumers, without time constraints.

Customer respondents also represented different groups. Insurance customers (n=289, 15%) are individual consumers, the majority of whom were calling for information (55%) or to make a payment (32%). Bank respondents (n=325, 16%) are business customers who use online services and who rang the call centre predominantly to get assistance with technology (61%) or to make a complaint (20%). The two groups of respondents meet the criteria of *consumers* (insurance sample) and *customers* (bank sample), as outlined by Parasuraman and Grewal (2000), and are subsequently referred to in this manner.

Respondents were asked open-ended questions about their positive and negative experiences during call centre interactions. The procedures for qualitative analysis outlined by Tesch (1990) and Miles and Huberman (1994) were used to reduce and interpret their comments. In particular, data from the consumer group were first coded 'blind' by two independent researchers and major themes identified. The data were then re-coded to check for consistency and frequency counts performed to provide a guide to the strength of the themes.

## Results and Discussion

### Customers' experiences during service interactions

The first research question sought to investigate customers' positive and negative experiences during their interactions with staff in call centres. Tables 1 and 2 show that end consumers of insurance emphasised different aspects of interactions, when compared to business customers.

In particular, end consumers were more focussed on the nature of the interaction while business customers highlighted outcomes and efficient solution of problems.

Table 1 Positive experiences during call centre interactions

Theme	Consumer sample			Business sample		
	Freq*	Percent of written comments to question	Percent of all survey replies (n=289)	Freq*	Percent of written comments to question	Percent of all survey replies (n=325)
Consultants' general attitudes	118	52	41	46	16	14
Problem resolution	44	19	15	78	28	24
Consultants' knowledge	22	10	8	35	13	11
Responsiveness (queues)	13	6	5	19	7	6
Reliability of service (accurate, relevant information)	12	5	4		0	0
Efficient solution to problem	0	0	0	95	34	29
No positive features	17	8	6	6	2	2
Total	226	100	79	279	100	86

\* Number of times mentioned in written comments: out of total of 192 surveys (226 comments) for the consumer sample and 183 surveys (279 comments) for the business sample. *Note.* Percentages for all survey replies do not add to 100 because some respondents did not comment at all and some made more than one comment.

Table 2 Service problems encountered in using the call centres

Theme	Consumer sample			Business sample		
	Freq*	Percent of written comments to question	Percent of all survey replies (n=289)	Freq*	Percent of written comments to question	Percent of all survey replies (n=325)
None (positive experiences)	54	33	19	44	27	14
Responsiveness (queues)	49	30	17	32	20	10
Reliability of service (accurate, relevant information)	31	19	11	0	0	0
Consultants' knowledge	12	7	4	41	25	13
Consultants' attitudes	9	6	3	36	23	11
Other	8	5	3	8	5	2
Total	163	100	57	161	100	50

\* Number of times mentioned in written comments: out of total of 192 surveys (163 comments) for the consumer sample and 183 surveys (161 comments) for the business sample; *Note.* Percentages for all survey replies do not add to 100 because some respondents did not comment at all and some made more than one comment.

Tables 1 and 2 show that three key areas emerged in relation to customers' positive and negative experiences: the extent of queuing, the attitude and knowledge of staff, and whether or not problems were resolved. The next section uses service logic to identify how these findings contribute to understanding value co-creation in call centres. That is, it addresses the second research aim of the study.

### Interpretation of customers' experiences using service logic

The key areas identified above are now interpreted in terms of the three phases of Grönroos' (2009) value-in-use model, that is, value facilitation, value co-creation, and on-going sole value creation (the customer alone). Table 3 provides an integration and summary of the analysis.

### *Value facilitation*

In service logic, the supplier is a value facilitator by providing customers with goods, services, information or other resources. In this study, resources include access to the call centre via queuing systems, and the knowledge, skills and authority of customer service representatives. Table 2, and its supporting data, suggest that call centre customers had difficulties accessing suitable resources because systems were slow, some employees were insufficiently knowledgeable, and many did not have the necessary authority to solve problems. That is, the 'customer orientation' that is fundamentally inherent in service logic, and reflected by provision of operant resources, was not always appropriate. The findings suggest that, in call centres, in addition to operant resources, there are important precursors that enable and support value facilitation, for example, efficient processes, internal marketing and a positive service climate (Schneider et al., 1998).

Table 3 Interpreting call centre interactions using service logic (Grönroos, 2009)

	<b>Customer's value creation</b>	
<b>Precursors to value facilitation by the supplier</b>	<b>Service interaction and co-creation of value</b>	<b>Customers' ongoing sole value creation</b>
<ul style="list-style-type: none"> <li>• Attention to queues and efficiency</li> <li>• Employee support to ensure efficiency</li> <li>• Positive service climate</li> <li>• Expectations and rewards for employees</li> <li>• Employee training and authority to ensure they are useful resources</li> </ul>	<ul style="list-style-type: none"> <li>• Customer needs, expectations, skills and inputs</li> <li>• Employee attitudes and knowledge</li> <li>• Problem resolution</li> <li>• Process quality of encounters</li> <li>• Actors mutually engaged and productive</li> </ul>	<ul style="list-style-type: none"> <li>• Service outcomes</li> <li>• Own resources (new skills or information)</li> <li>• Attitudes to provider as a foundation for future interactions in a service-for- service relationship</li> </ul>
<b>Supplier's production process</b>		

### *Value co-creation*

The defining feature of value co-creation is that it occurs as a joint activity between the customer and provider (customer service representative in the call centre). Table 3 shows the service interaction under both the customer's value creation and the supplier's production process. However, value co-creation requires more than joint presence, or co-production. It requires the supplier's direct engagement with customers so that each party is an active resource within the other's processes (Vargo & Lusch, 2008b). Theoretically, this situation means that the customer can influence the supplier's actions, and the supplier can influence the customer's current and on-going value creation. Adopting this stance, we question whether, in the current study, customers are actually co-creators of value. They are necessary to the service, and the firm requires them to be co-producers but the problems in Table 2 suggest that value is not always co-created because the activity and control lies with the call centre. More specifically, the call centre manages the skills and priorities of frontline staff, process quality of interactions, and the hierarchical levels for problem identification and resolution.

Service logic suggests that firms will develop opportunities to co-create value *with* customers and *for* them. This logic implies that call centres might adjust their business strategies to better

meet customers' service needs, expectations and skills, so that the interaction facilitates benefits for customers. Such strategies do not appear to exist for the call centre involving end consumers. It is inflexible in time and script controls, and only offers further engagement to make more sales. In contrast, the business call centre employs more qualified staff, gives them flexibility, and removes time constraints. However, in both cases, service is an after-sales cost, and not perceived as an opportunity to develop operant resources by engaging with their customers. Thus, their current philosophy appears removed from foundational premise number 4 of Vargo and Lusch (2008a), which states that operant resources are a fundamental source of competitive advantage. Additionally, one questions whether customers would allow the call centre to engage with them during interactions, given the frustrations and problems caused by queues, excessive transfers and provision of inaccurate information. First they 'just want to get on the phone' and then they 'just want to get an answer and get off the phone'. This is not co-creation in the spirit of service logic. Nor is it 'dual and reciprocal' interaction.

Co-creation requires managers to recognise the importance and potential of interactions. Ballantyne and Varey (2006) highlight the role of communicating. They emphasise the need for listening *and* informing, and then moving to the next level which involves the use of dialogue, 'an interactive process of *learning together*' (p. 338). This study suggests that to move closer to value co-creation, call centre managers need to take advantage of the opportunities presented to them by interactions; listen to customers, perhaps teach them new skills, and learn from them by systematically collecting and analysing data (not just time-based targets and superficial QA processes). They would be advised to involve marketing personnel to assist with understanding and implementing the customer view. In this way, the firm can react to customer expectations and provide better support for customers' sole value creation, discussed next.

#### *On-going sole value creation*

Value co-creation is not just what goes into the interaction, but what parties ultimately get out of it. Customers seek to have their problems resolved, and a further benefit is an enhanced ability to solve or prevent future problems themselves. These increased operant resources of the customer contribute to their on-going sole value creation over time. Business performance depends on customers' attitudes, and they are likely to be more positive if sole value creation is made easy for them. Managers need to capitalise on this; Table 1 shows the positive responses to problem resolution during an encounter, especially by business customers. It is proposed that on-going problem prevention would strengthen customers' positive responses to the firm, and thus, identifying various means of facilitating sole value would be a worthy pursuit for call centre managers. However, it requires a considerable shift in thinking. Previous commentaries have emphasised the need for managers to reduce their current efficiency focus; service logic moves us closer to a compelling argument about why such a change is beneficial to both firms and customers but much future research is required to expand the relevant column in Table 3.

In summary, this study highlights first, the major features of high quality service exchanges in call centres. The findings are not surprising and are likely to be already emphasised by managers. The second, and more important contribution of the study, is the insights it provides into value-in-use and value co-creation in call centres. An on-going process approach is required, that is, a process that extends beyond the interaction at the point of contact, or in other words, to provide customers with operant resources by which they can create value for themselves in the longer term. These ideas are just the beginning. Responding to the challenge of applying service logic and finding new ways of understanding and facilitating customers' value creation will build our discipline.

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