4
FACTORS INFLUENCING E-SERVICE VALUE CO-CREATION

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4.1 INTRODUCTION

In today's networking era, many organisations, public and private sectors, service provider and customers are cooperating with one another to co-create value either at traditional level or on information technology platform. Many organisations have embraced the digital revolution. They are putting a wide range of materials from publications and databases to actual public sector services online for citizens' consumption. But the values of these applications are yet to be explored. The newest concept which almost dominates the world economy and also drawing attention among researcher and service industries is the relatively new trend called co-creation of value. It is a form of collaborative strategy where value is co-invented between service providers and users when engaged in service use [1, 2]. The sprouting of Service Dominant Logic introduces ten fundamental principles of (FP). Out of these ten fundamental principles, FP6 is relevant in the context of this paper wherein the customer is always a co-creator of value [3]. In simpler terms, customers are always the co-creator of value since service dominant logic attributes importance to the value creation process. It also involves the customer as a co-creator of value.

The purpose of this chapter is to explain and gain understanding on the factors that influence co-creation of value between service provider and customer in an online service engagement. The rest of this paper unfolds as follows: in the

following section, we delved deeper into the concept of e-service and explore service dominant logic concept. Remaining section deepens into the factors that influence co-creation of value in e-service. The paper is concluded with the summary of the chapter.

4.2   OVERVIEW OF E-SERVICE

Service is understood as an activity or series of human activity and interaction between customer and service providers. With the help of IHIP (Intangible, Heterogeneous, Inseparable and Perishable), service definition and its characteristic will be easily understood by public through majority of scholar-considered activities, interactions and deeds or process as the key sectors of service [4,5]. A service, according to [6], is defined as an essentially intangible set of benefits or activities that are delivered / sold by one party to another. Consequently, Vargo and Lusch [7] described service as the application of competences such as knowledge and skill by one party for the benefit of other. Therefore, the act of utilizing internet and World Wide Web to deliver the service to customer, public and private organization is referred to as e-service. Based on this, e-service [8] is defined as an interactive, content-centered and internet based customer services. It is driven by the customer and integrated with related organizational customer support processes and technologies with the goal of strengthening customer service provider relationship. The definition of [9] that uses the characteristics of e-service is being finally proposed for our understanding. E-service is a benefit providing object of transaction that can be characterized as an intangible and perishable process. It is of use inseparably in a simultaneous interaction that enables value creation between new technologies, service provider and user of the service.
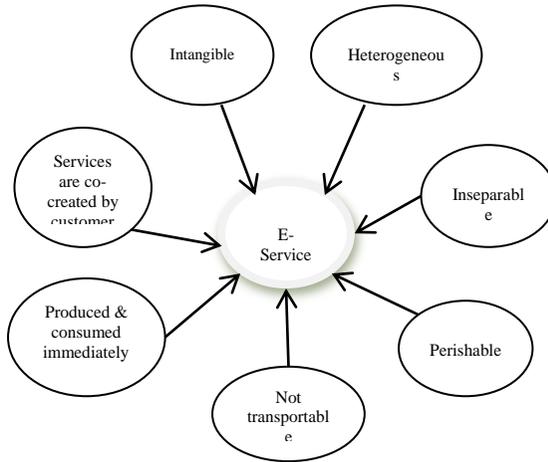
4.2.1   CHARACTERISTICS OF E-SERVICE

The service is accessible through electronics and is consumed by a person via the internet.   According to [10, 11], services are intangible in their nature. They cannot be seen and cannot be palpable. Services are process and the outcomes of processes are in most cases intangible. Because of their intangibility, service capacities can decay, i.e. services are perishable and cannot be stored.

Services are perishable. This is the characteristic of e-services that does not let us save, store, resale, or return them. The seats in an aero plane, the cinema, the football stadium, the rooms in a hotel, etc. cannot be utilized at another point in time if they are not met at their scheduled time. Another consequence of the intangibility of service is that service cannot be transported. Furthermore, services are consumed and produced simultaneously. In contrast to consumer goods, e.g. a customer cannot purchase a service, then go home and utilize it later.

Inseparability refers to the use of e-services that derive from others. Hotel booking e-services, flight and train tickets booking e-services, vacation packages booking e-services and food delivery e-services are inseparable: customers have to go through a multi-step process that completes with e-payment or gets cancelled and thus the e-service is produced and consumed simultaneously [12].

In addition, services are heterogeneous, i.e. a service value experienced by one customer can be very different with another customer. For instance, an e-payment value used by a customer will be very different from that of another customer who is not using online service. They cannot have similar value and the possibility of co-creating the value is dim. Another major characteristic of service process is the participation of customer, i.e. the service process cannot be conducted without the customer involvement. Therefore, the customer service process theory is also called the co-creation of the service value. Figure 4.1 gives a clear summary of the characteristics of e-service.

Figure 4.1   Characteristics of e-Service

4.2.2   CLASSIFICATION OF E-SERVICES

Using the advantages of the electronic services such as cost reduction, transparency of information, time and location barrier removal [9], we can classify e-service applications into two main categories: e-services for individuals and e-services for organizations. Table 4.1 depicts the classification. Most studies focus mainly on perceived service quality measurement of these applications but we tried to portray the understanding of collaboration between service provider and customer to explore the value of these applications. Value created by these applications is yet to be explored by the stakeholders. Therefore, the service dominant logic is emphasizing joint creation of value between service provider and the service users. In the next section, the service dominant logic that emphasis the customer as a co-creator of value is discussed.

Table 4.1 Classification of e-Service

S/N	E-Services	Service user	
		Individual	Organization
1.	e-health services	√	√
2.	e-tax services	√	√
3.	e-job	√	
4.	e-library services	√	
5.	e-learning services	√	
6.	e-examination	√	
7.	e-passport	√	
8.	e-ticket services	√	
9.	e-transport services	√	√
10.	e-land allocation	√	√
11.	e-license	√	√
12.	e-declaration	√	√

4.2.3   ELECTRONIC SERVICES AND VALUE

Generally speaking, electronic services (e-services) is a service delivered via the media such as internet, mobile services, automated machine based services and sometimes refer to as self service technologies [13, 14]. It is easy for customer to perceive value and co-create with service provider without asking for personnel assistance. Hence, technology plays an important role in vole co-creation. Internet nowadays permits customers and other online service users to access the website content and thus facilitating services such as e-payment, e-ticket, e-travel etc. Traditional services are fading out gradually and e-services are gaining prominent at level of human endeavor. Hence, ability of customer and service provider to co-create is growing. We can sum up that e-services are becoming prevalent part of service transaction and there is tendency for the user to feel the impact which eventually give rise to the level customer co-create value with the organizations.

4.3   SERVICE DOMINANT LOGIC

Service dominant logic is tied to the value-in-use. This means that value is always co-created, jointly and reciprocated, interacting among providers and beneficiaries through the integration of resources and application of competences. The S-D logic is based on ten foundational propositions [4]. These Foundational premises are not a set of rules but they represent a collaborative effort to create a better grounded understanding of value creation. In this chapter, our focus is on FP 6 and part of FP10, which are relevant for discussion: "The customer is always a co-creator of value and value is always uniquely and phenomenological determined by the beneficiary respectively. Customer has been recognized in the service marketing as active participants in the process of service delivery. More so, foundational proposition 6 (FP6) of service dominant Logic (SDL) lay much emphasizes on the interactional nature of value creation [15] as in Table 4.2. In other words, customer is always active participant in the co-creation of value. The experience of both service provider and customer during interaction make the customer as co-creator of value. Today, organizations can no longer act autonomously and controlling service channels with little or no interference from customer. Therefore, customer now seeks to exercise their influence in every part of the service system. The S-D logic attributes placed much emphasis on value-creating processes that involve the customer as a co-creator of value [5].

Table 4.2   SDL Foundational Premise (Vargo & Lusch, 2006 & 2008)

FPs	Original foundational premise Modified	New Foundational premise
FP1	The application of specialized skill(s) and knowledge is the fundamental.	Service is the fundamental basis of exchange
FP2	Indirect exchange masks the fundamental unit of exchange	Indirect exchange masks the fundamental basis of exchange

FP3	Goods are a distribution mechanism for service provision	Goods are a distribution mechanism for service provision
FP4	Knowledge is the fundamental source of competitive advantage	Operant resources are the fundamental source of competitive advantage
FP5	All economies are services economies	All economies are service economies
FP6	The customer is always a co-producer	The customer is always a co creator of value
FP7	The enterprise can only make value propositions	The enterprise cannot deliver value, but only offer value propositions
FP8	A service-centered view is customer oriented and relational	A service-centered view is inherently customer oriented and relational
FP9	Organizations exist to integrate and transform micro specialized competences into complex services.	All social and economic actors are resource integrators
FP10		Value is always uniquely and phenomenological determined by the beneficiary

4.4   ELEMENTS INFLUENCING CO-CREATION OF VALUE

Value co-creation is influenced by many factors. Some of these factors are discussed below:

Personalization**:** Prahalad and Ramaswamy [16] emphasized in their model of value co-creation that personalization means customization, interactivity and engagement of both sides when they engage in service use. This shows that for value co-creation to take place there should be communication between two equal parties. In the same vein, personalization is referred to as the caring, empathy, individualized attention customer perceive from the service provider [17]. When organizations co-create value with customer, they elevate customer to a new level of responsibility. This in turn, increases customer expectations for how an

organization will interact with customer. As a result, organizations need to personalize its interactions with customer to manage these expectations. This means that customer must perceive that an organization considers customer needs and expectations for the relationship. Customer interaction with service provider leads to increase satisfaction with the organization.

Moreover, transparency is also an element that influences value co-creation**.** The customer will be willing to co-create value with service provider as far as there is trust, security, assurance and information asymmetry between the service provider and customer. If there is a presence of transparency, service value co-creation becomes accessible and transparency becomes increasingly desirable [18].

Accessibility**:** The second factor that influences value co-creation is accessibility which customer perceives when engaging with an organization. The DART model of Prahalad [16] describes access as given resources, information and service process to service user which encourages customers to collaborate with service user to invent value. Similarly, social accessibility is described [19] as having the ability to access social resources for the purpose of engaging in co-creation of value. Access to social resources refers to the ease with which information, expertise, and customer can have the access during the service interaction. For instance, [19] argue that the greater the social accessibility of customer to service is, the more positive the user will be willing to join service provider to create value.

Besides accessibility is Knowledge and Skill**:** knowledge and skill acquired by both parties willing to co-create value is another fundamental factor. Both service provider and customer must have initiative and service experience in order to engage in value creation [4]. Above all, value can only be co-created when customer use the service, that is value-in-use and apply the experience, skill and knowledge.

In addition, perceived risk is another value co-creation dimension. Once the customer is aware that the service is harm free, they will be willing to be an active co-creator of value [18].

Perceived risk is defined as the perception of potential harm that a customer can experience when engaging in service interaction with service provider. The customer concerns over privacy and the potential risks that are associated with how customer co-creates value. Therefore, organizations should provide assurances that minimize the perceptions of these potential risks to foster a positive customer value co-creation [19].

4.5   CHAPTER SUMMARY

In other words, this chapter offers conceptual insight into this relatively new concept called service dominant logic and focuses more specifically on factors that enhancing customer value co-creation with service provider. Overview of electronic services (e-service) was presented. Classification of e-service applications, its features and value of e-services were explained. For this reason, factors that influence customer to engage in value co-creation were explained in-line with value-in-use of online services.

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