

Integrating Customer in Service Value Proposition: Business Model for Competitive Edge

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Abstract

Rising environmental turbulence couple with advancing technological innovations is posing a unique kind of challenges for the service organizations. This study aims to develop a new business model to integrate customers in conceiving, developing, and delivering the service value proposition by an organization. To develop the model, extensive literature review has been done on both service sector and customer integration to develop an understanding about the linkages underlying these concepts. Three important dimensions, i.e., customer participation, customer interaction and implementation of inputs have been identified as important crucial indicators that can affect the service quality and delivery considerably. These dimensions are then used to develop conceptual model for enhancing service effectiveness which can effectively deal with the continuously changing customers' expectations and demands. The research is purely conceptual in nature and model developed by the study is yet to be tested empirically.

Keywords: Customer, Interaction, Implementation, Participation, Service Sector

Introduction

Service sector is one of the most important areas from the economic development standpoint of any country. It is one of the largest contributors to the gross domestic product globally and its importance can be gauged from the fact that status of economic development of a country is dependent on how much contribution comes from the service sector. It is a well-documented fact that service sector played crucial role in assuaging the negative impact of the 2008's global recession and even today, it continues to remain one of the most important growth engines for the world economy.

Along with the enhanced prominence and size, last decade has also added much complexity and complications to service sector. Progressive globalisation and ever changing technology enhancements have further heightened the complications (Shalender 2018) and to add to the

chaos, more and more product categories which traditionally remain depended solely on product are now coming with additional aspect of service. In the wake of these altered business situations, organisations of all sizes and structures are looking at the ways to enhance performance without sacrificing on service quality (Javalagi et.al. 2005, Shalender and Singh 2015). As services are inherently different from the tangible products, these present an altogether different kind of management challenges, making it difficult for the service organizations to achieve high level of customer satisfaction. What makes the things even more difficult is the fact that service quality – more often than not – is dependent on both service provider and service seeker which makes the achievement of the desired results quite difficult.

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In the last two decades, role of integrating customer in enhancing the service quality and effectiveness has got prominence among both scholars and practitioners. There are many authors who have researched the customer integration to suggest ways to improve service quality and overall customer satisfaction (Gurau, 2009). In fact, customer integration has emerged as an undisputed area where improvement can lead to effective delivery of service quality and performance. In the backdrop of the enhanced complexities and eroding product-service boundaries, this research aims to develop a conceptual model for achieving competitive advantage with the help of customer integration. To this effect, the extensive literature review has been done to dig out the important dimensions of customer integration, these dimensions are then researched from organizational viewpoint and then a model comprising these dimensions of has been proposed. The proposed model has implications for both scholars and practitioners and will be empirically validated in different service sectors in future.

Unique Challenges in Service Sector

After the Indian economy opened up in 1990 as the wave of liberalization, globalization and privatization hits the market, service sector has witnessed a steady influx of foreign players in the sector. The sector has witnessed consistent growth and compared to other sectors, the spurt in services is manifold than others. With the influx of new players, the competitiveness of Indian companies has increased and in fact, many argue that the service sector has been responsible for placing many Indian multinationals on the global horizons where they can compete effectively with their international counterparts (Khan, 2012). Having said that, for the Indian economy as well as the service sector maintaining the high growth rate is proving to be quite a challenge. This is especially relevant when one consider the different nature of service sector from the tangible products and other industries. The inherently different characteristics like intangibility, inseparability, simultaneous production and consumption, and heterogeneity make services far

more complex and complicated to handle (Archroland Kotler, 1999). Further, the authors like Lovelock (2001) and Sushil (2005) stressed the need for integrating customer in the service proposition to make the experience more effective and satisfying. The need for adopting a more customers-driven perspective in the service sector has been felt for a long time (Sushil 2015). As customer is one of the important stakeholders in the service creation and delivery experience, it is imperative to integrate customers in the process while developing any facet of a particular service (Robbins, 2001). Not only the service organisations need to take into consideration the changing needs and expectation of the customers, they must also take the customer on board while conceiving, developing and delivering the service. Vargo and Lusch (2004) made an observation that customers no longer purchase product or services but rather what they are looking for experiences. This has changed the focus to service-dominant logic making the value in use as the preferred strategy for the service companies.

Customer Integration

Concept of customer integration has come into focus since the advent of 21st century. The concept has deep roots in literature and the concept gets explored for enhancing overall performance of the organisation. Today's fast changing environment has made customer integration even more important as more and more organisations are grappling with enhanced environment turbulence and ever changing customer challenges (Shalender et al. 2017). This is particularly true in case of service organisations where customer is an important stakeholder not only in consumption of services but also in a way outcome of the particular service is conceived and delivered (Englehardt and Simmons, 2002). As noted by Sharma et al. (2010), organisations must appoint customer-centric people at each level and should be flexible enough to change their processors with the changes in customer expectations. This observation has special implication for the service providers as customer centricity is critically important in service industry. Literature review on customer integration and

service sector suggest that there are many ways to enhance value for the customers although some of the parameters stands out from the others in the degree of importance. Dimensions like customer participation, customer interaction and implementing customers' feedback are the crucial if an organisation wants to sustain its business and customer base in long run (Prahalad and Ramaswamy 2004). This research uses these variables to develop a conceptual framework for the service organisation for enhancing their business sustainability and customer satisfaction.

Customer participation

Customer participation refers to the willingness of the customer to participate and in what capacity he / she wants to participate. There may be case when the service is not complex, customer may choose to go for standardized procedure. However, in most cases customers have their specialized needs that are different from the other customers' needs. And hence the case of customer participation arises. This requires service organisations to have both modern and classical system of service providing to the different needs of the different customers. In the case when customers chose not to participate, standardized service may be offered to him but in case of he/she is willing to participate owing to different needs, organisation must have process of value creation where customers' inputs can be integrated to deliver final preposition (Shalender and Yadav 2018).

Customer interaction

Customer participation leads to the customer interaction with the service providers. When the customer decides to participate in the value co-creation, service organisations must ensure that they have proper system in place to facilitate customer interaction at the different levels of service creation. The challenges on this front pose in form of having adaptable customer interaction system, centralized unit which can store that information from various levels and readily process information to convert it into useful inputs for all the concerned departments which are involved in value co-creation process (Holweg and Pil, 2001).

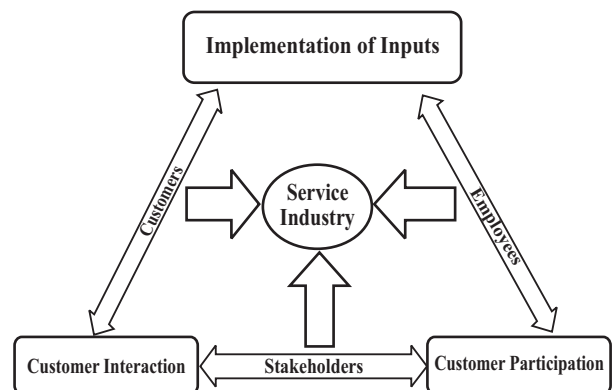
Customers' Input Implementation

In the absence of implementation of inputs given by customer, the customer participation and customer interaction will be of no use. Whatever inputs and organisation received through customer participation and interaction must be implemented in the final value proposition. The various processes in the value chain of the organisation must be flexible enough to absorb and implement inputs provided by the customer so as to meet specific needs (Volberda, 1998). This customization process is very much important in the service sector and can easily become a basis for sustainable business and enhanced customer satisfaction. Having said that it is worth noting that level of customization must be analysed for its impact on the profitability of the organization. For this, demand for the customization needs to be measured very accurately as enhanced customization requires additional cost to be incurred by the customer.

Conceptual model for Enhanced Service Effectiveness

Using the three dimensions of customer interaction, customer participation, and implementation, the study proposes a conceptual model for aiding business sustainability in service organizations. The model is purely based upon literature review and tends to highlight the role of customer integration in aiding competitiveness for the service organizations.

Fig 1: Conceptual Model of enhanced Service effectiveness



Embedding flexibility at each level and working culture of an organisation is one sure-shot strategy to enhance competitiveness of the service organisations. Surely, this requires a comprehensive change in structural underpinnings of the organisation and commitment from the top management. Benefits of integrating customers in service proposition manifest its benefits in both short and long term. The short term gains include healthy cash flow and rise in the net revenue while in long term; organization can achieve enhanced customer satisfaction for enhancing its business sustainability.

Conclusion and Implications

The conceptual model proposed by the study is based on changing the competitive landscape in the service industry. It emphasizes the need for customer integration to improve the overall performance of a service organization. In the changing scenario, the service industry needs to be more transparent and open to customer integration. In fact, making the customer an important stakeholder in the value proposition is a wonderful way to engage and achieve high brand loyalty.

The process of customer integration comes across as a mutually beneficial relationship. This research is conceptual in nature and the focus of the study is purely theoretical. We expect research will motivate the scholars to dig further deep into the process of customer integration and what could be the possible challenges involved in the process. For the service industry, the research has special implications in terms of making the companies more transparent and open for customer participation. This required change in the organizational philosophy and adjusting the overall structure of the company in a way that will facilitate more customer integration, participation, and implementation of feedback given by them.

We will empirically test the conceptual model proposed by the study in the service industry. More specifically, we will start with the hospitality industry and the sector of the study will be large hotel chains. The future study well empirically tests how much customer integration has been achieved in the

hotel industry and what improvement is further required in order to make services, even more, customer oriented in the hotel industry. We are also planning to enhance this model and revisit it from a sustainability viewpoint in the hotel industry. What and how the customer thinks about the overall environmental sustainability and what could be the possible strategies to improve the environmental credentials of the hotel will be part of our future research.

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