Outcomes of service encounter quality in a business-to-business context

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Abstract

Service encounter quality is an area of growing interest to researchers and managers alike, yet little is known about the effects of face-to-face service encounter quality within a business-to-business setting. In this paper, a psychometrically sound measure of such service encounter quality is proposed, and consequences of this construct are empirically assessed. Both a literature review and a dyadic in-depth interview approach were used to develop a conceptual framework and a pool of items to capture service encounter quality. A mail survey of customers was undertaken, and a response rate of 36% was obtained. Data analysis was conducted via confirmatory factor analysis and structural equation modeling. Findings reveal a four-factor structure of service encounter quality, encompassing professionalism, civility, friendliness and competence dimensions. Service encounter quality was found to be directly related to customer satisfaction and service quality perceptions, and indirectly to loyalty. The importance of these findings for practitioners and for future research on service encounter quality is discussed.

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1. Introduction

The service sector has seen dramatic growth over the years, to the extent that its contribution to global GNP exceeds that of all other sectors combined (The World Bank, 2004). However, a number of dynamic factors affect the service industry including government regulation, social changes, business trends, advances in technology, and internationalization (Hoffman, Kelly, & Rotalsky, 1995; Rust & Oliver, 1994). Within deregulated and competitive markets, differentiation strategies, including delivering quality services (Cronin & Taylor, 1992; Parasuraman, Zeithaml, & Berry, 1988) are a primary concern of services marketers (Fisher, 1991).

Within the service quality domain, the importance of customers’ perceptions of service encounters is increasingly recognized (Mill, 1986; Namasivayam & Hinkin, 2003). In the words of Bitner, Booms, and Mohr (1994, p. 95), “from the customer’s point of view, the most immediate evidence of service quality occurs in the service encounter or the ‘moment of truth’ when the customer interacts with the firm. Thus, one central goal in the pursuit of ‘zero defects’ in service is to work toward 100% flawless performance in service encounters”. Consequently, these encounters can become an integral part of the image that the customer has of the firm and, in turn, will play an influential role in determining the success of the firm (Bitner, 1990; Bitner, Booms, & Tetreault, 1990). As Hartline, Woolridge, and Jones (2003, p. 43) point out, customers “base their evaluations on their perceptions of the service encounter”, due to the inter-personal nature of services.

Bitran and Lojo (1993) explain that service encounters are not random events; they can be treated systematically. Scope is thus high for management control over the success or failure of specific service encounters. Accordingly, “the quality of the service encounter has been recognized as a key strategic competitive weapon” (Mattila & Enz, 2002, p. 269).
Previous work on service encounters has almost exclusively focused upon retail consumers (Kong & Mayo, 1993; Westbrook & Peterson, 1998). Indeed, service encounter quality in a business-to-business context tends to be both overlooked at the managerial level (Bitran & Lojo, 1993) and under-researched academically (Brown, Fisk, & Birn, 1994; Chumpitaz & Paparoidamis, 2004; Durvasula, Lyonski, & Mehta, 1999; Gounaris, 2005; Hartline & Jones, 1996). This is surprising given the importance of contact personnel and the social/interpersonal aspects of the encounter in business-to-business services (Paulin, Ferguson, & Payaud, 2000). As explained by Drennan and McColl-Kennedy (2003), professional services tend to be “people-directed”.

The business-to-business context has numerous unique characteristics that warrant special attention. First, business-to-business situations are usually typified by a small number of customers, each contributing significant value to the overall business; the importance of each service encounter is thus more pronounced (McNamara, 1972). Second, it is also the case that business-to-business service encounters are often more frequent than in the case of business-to-consumer transactions (Hardy, 1978). In fact, given the advance of technology, professional services firms report increased use of communication equipment (e.g., cellular phones) for business use (Hooks & Higgs, 2002), thus facilitating personal interactions. Third, in most business-to-business exchanges, a service encounter is not the fulfillment of a single effort but an event in a broader endeavor to build and sustain a long-term relationship (Jammernegg & Slusarczyk, 2005; Heskett, Sasser, & Schlesinger, 1997). By understanding the interrelationships between these constructs, management may be able to contribute to increased firm performance (Chumpitaz & Paparoidamis, 2004; Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994). These reasons in combination make the findings of this research both timely and relevant.

This paper is arranged as follows. The next section provides a background for the constructs of interest. This is followed by a presentation of conceptual development. The methodology used is then described, followed by the study’s results. Discussion of findings and strategic implications for the business-to-business service sector are then provided. Limitations and future research avenues conclude the paper.

2. Literature and theoretical background

Person-to-person interactions are an essential element in the marketing of services (Crosby, Evans, & Cowles, 1990; Czepiel, 1990; Surprenant & Solomon, 1987). Customers’ perceptions of face-to-face interaction with service employees have traditionally been considered one of the most important determinants for customer satisfaction and firm loyalty (Berry, 1983; Liljander & Mattsson, 2002; Oliver, Rust, & Varki, 1997; Winsted, 2000). Similarly, service quality has been found to be related to customer loyalty, arguably the bedrock of any business (Caruana, 2002). The following sections thus provide a brief background of the service encounter, service quality, customer satisfaction and loyalty constructs.

2.1. Service encounters

To date, the literature on service encounters has mostly focused on the consumer sector (Paulin et al., 2000). Nevertheless, and in terms of conceptual definitions, characteristics of consumer services appear to be applicable to the business-to-business sector (Cooper & Jackson, 1988), though this is not true of their operationalizations (Durvasula et al., 1999).