Incorporating Self-Serve Technology into Co-Production Designs

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ABSTRACT

Co-production, which is the direct involvement of customers in the design, delivery, and marketing of goods and services that they themselves consume, implies customer-firm collaboration. The nature of this collaboration, however, is highly dependent on the organization’s service design, which increasingly includes Internet-based, self-serve technology (SST). While there is considerable research on service design, most of this research fails to consider the role and implications of information technology in co-production. In order to remedy this shortcoming, we build on prior research to develop a contingency theory of co-production design. Using cases of Internet-based SST (e.g., online airline reservations and recommendation-based sales systems), we highlight the unintended consequences of implementing SST in the different co-production designs. In this way, our research contributes to our understanding of information technology’s implications for co-production.

Keywords: customer co-production; self-serve technology; service design

INTRODUCTION

E-collaboration, which entails collaboration among individuals using electronic technologies to complete a common task (Kock, 2005), is prevalent in today’s service sector, where it frequently takes the form of customer co-production enabled by self-serve technology (SST). As the image of the customer as passive audience and consumer is being replaced by one of the customer as an active co-creator of value (Prahalad & Ramaswamy, 2000), organizations in-
creasingly view their customers as resources that contribute both knowledge and labor to the production process (Larsson & Bowen, 1989). This form of collaboration (or co-laboring) is not only evident in business-to-business (B2B) service delivery, where organizations’ supply chains are becoming vertically integrated (e.g., Wal-Mart shares daily sales information with Procter & Gamble), but also in business-to-customer (B2C) service environments, where customers’ actions not only trigger but also complete a transaction (e.g., customers assembling their IKEA furniture themselves) (Normann & Ramirez, 1993).

Internet technologies (e.g., e-mail, WWW, SST) present both opportunities and challenges for the design and delivery of services (Bitner, Ostrom, & Meuter, 2002). For instance, in a recent study, Hogg et al. (2003) analyzed the impact of the Internet on the delivery of health care, a service environment typically associated with high information asymmetry. By providing access to information in a cost-effective way (Malone, Yates, & Benjamin, 1987), Internet technologies erode the information asymmetry that traditionally has characterized many customer-firm interfaces (Kulkarni, 2000). Hogg et al.’s (2003) results highlight that the health care consultation process changed significantly as customers increasingly went online to learn about medical conditions and treatment options. Whereas the consultation process used to be one in which the health care provider acted as the primary source of information, advice, and decision making, in the Internet-enabled service environment, the health care provider acts as interpreter and evaluator of information that patients gather from multiple online sources. As patients became more active co-creators of their own treatment, there were changes in the way that patients and health care providers interacted and in the power dynamics of their relationship.

According to Malone et al. (1987), networked technologies such as the Internet favor the creation of market structures, where exchanges are instantiated through arm’s-length relationships. So, are Hogg et al.’s (2003) findings suggestive of a general shift in the nature of co-production and the demise of customer-provider relationships in Internet-enabled service environments? Or are there different conditions under which networked technologies, such as Internet-based SST, affect co-production and customer-provider relationships differently? In other words, what are the exogenous variables upon which effective co-production designs are contingent, and how are these contingencies impacted by Internet-based SST?

In this paper, we attempt to answer these questions. We commence by defining co-production. Based on transaction cost economics and the literature on service design, we then identify the exogenous variables that constitute the contingencies of our framework for co-production design. Next, we describe and analyze three SST implementations, highlighting how SST is affecting customer co-production and the exogenous variables of co-production design. We also identify some of the unintended consequences that each SST example generates. We close with suggestions for future research.
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