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# The road to customer loyalty paved with service customization



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#### ABSTRACT

Previous research reveals that frontline employees can engage in two types of service customization, one that includes customizing offerings, referred to as "service offering adaptation," and another that includes customizing interpersonal behavior, referred to as "interpersonal adaptive behavior." While research indicates that both types of service customization are important to building customer relationships, limited research has simultaneously examined both aspects and the mechanisms accounting for their effects. Drawing from cognitive appraisal, emotion, and relationship marketing theory, this research offers a conceptual model that delineates emotions as explanatory mechanisms of service customization. The results indicate that emotions, particularly gratitude, can account for customization's positive effect on trust and subsequently loyalty. These findings offer implications for theory and marketing managers, as well as reveal fruitful avenues for future research.

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#### 1. Introduction

Recent discussions in the popular press are sounding the alarm that today's customers expect customization. As noted by Reed (2014, p. 43), "Consumers expect real-time, customized everything at any touch point." The PricewaterhouseCoopers and TNS Retail Forward (2015) report offers additional evidence of this trend, reporting that customers are proactively pursuing individualized products and services. This movement has not been overlooked by practitioners; instead, some firms have reacted by including customization as key part of their marketing strategy. For instance, customization and personalization of products plays a major role in Nike's \$7 billion online expansion plans (Comstock, 2015). In fact, Nike CEO Mark Parker predicts such individualization is becoming a mainstream customer demand, "Customization is one of those expectations...that consumers will have of their product going forward, so we intend not to just participate but to lead in that area" (Ghosh, 2015). Given the growing trend in customization, a need exists for researchers and practitioners to respond.

The services literature recognizes that frontline employees are often the party responsible for meeting customers' idiosyncratic needs and identifies two dimensions of employee customization efforts (Gwinner, Bitner, Brown, & Kumar, 2005). One dimension is to customize the *service process*, which involves frontline employees (FLE hereafter) guiding customers through the decision-making process and adapting

to customer needs as they search for, identify and consider various solutions. A second dimension is to customize the *service offering* (i.e., the product or service), which results in a unique bundle of benefits designed specifically for customers. Both dimensions are in accordance with the definition of service customization, which is defined as "any behaviors occurring in the interaction intended to contribute to the individuation of the customer" (Suprenant & Solomon, 1987, p. 87). Despite scholars' long-held interest in service customization and its managerial relevance, limited research investigates why service customization produces positive relational outcomes (Coelho & Henseler, 2012; Suprenant & Solomon, 1987). Thus, the current research addresses this gap by examining how both dimensions of service customization influence customer loyalty.

This work contributes to the marketing literature in three important ways. First, extant research provides little guidance on understanding the mechanisms responsible for the effect of adaptation practices on loyalty (Coelho & Henseler, 2012). To date, only cognitive explanations, such as the important relational component of trust (Ball, Coelho, & Vilares, 2006; Coelho & Henseler, 2012), have been considered. This research contributes by demonstrating that both cognitive (trust) and affective (emotions) mechanisms can account for the effects of customization on loyalty, and indeed emotions represent a missing link between customization and trust. Second, extant research fails to simultaneously assess both types of service customization on relational outcomes; therefore, this research adds to the literature by examining each type of customization in isolation and in combination. Third, research on interpersonal adaptive behavior tends to be studied from the employee perspective, rarely considering the customer's view of

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this type of adaptation in relation to adapting the product or service offering. Thus, the current research contributes by examining customization through the customer's lens.

#### 2. Conceptual background

## 2.1. Types of customization

FLEs can engage in service customization by either customizing the service offering, referred to as service offering adaptation, or by customizing the service process, referred to as interpersonal adaptive behavior (See Gwinner et al., 2005 for a more detailed review). In contrast with service offering adaptation, interpersonal adaptive behavior refers to customizing the service process and the interpersonal elements (i.e., communication, presentation style, and social behaviors) within the customer-employee interaction (Gwinner et al., 2005; Roman & Iacobucci, 2010). Despite literature linking customization to favorable firm outcomes (Ball et al., 2006; Ostrom & Iacobucci, 1995; Suprenant & Solomon, 1987), related literature suggests that customer emotions can result from appraisals of employee behavior, such as customization, and can in turn influence customer evaluations. Given the growing demand for customization and that its practice aligns with customer needs (Ghosh, 2015; Reed, 2014), customers likely appraise customization positively, thereby eliciting positive customer emotions. Thus, positive emotions may account for the positive effects of customization on key relational outcomes, such as trust and loyalty.

## 2.2. Emotion research

Seminal research in the marketing literature defines emotion as "a mental state of readiness that arises from cognitive appraisals of situations or thoughts" (Bagozzi, Gopinath, & Nyer 1999). This definition coincides with cognitive appraisal theory, a closely related successor of attribution theory, which suggests that emotions arise from cognitive appraisals of situations, and that the combination of appraisals elicits distinct emotional states (For a review, see Johnson & Stewart, 2005). Because of customers' demand for customization (Ghosh, 2015; Reed, 2014) as well as the FLE's role in the customization process (Gwinner et al., 2005), two appraisals likely relevant to how customers construe service customization include outcome desirability and agency. Research suggests that consumers first appraise outcome desirability, which distinguishes positive and negative emotions (Johnson & Stewart, 2005). That is, situations appraised as having desirable outcomes elicit favorable emotions, whereas those appraised with undesirable outcomes elicit unfavorable emotions. Consequently, customers likely appraise customization as desirable, thus, eliciting positive emotions. After appraising the outcome, subsequent appraisals, such as interpreting the agency responsible for the situation, can be undertaken to further understand why a situation occurred, therefore eliciting different emotions. For example, pride is elicited by construing oneself as responsible for a positive outcome, whereas gratitude is elicited by construing an external agent as responsible for a positive outcome. In summary, the current research is founded on extant emotion literature, theorizing that through appraisals, service customization elicits positive customer emotions (and reduces negative emotions; Study 2), which in turn, impact judgments of FLE trust and loyalty.

## 2.3. Delight

Delight is considered a highly arousing positive emotion that arises from positive disconfirmation, whereby customers perceive performance as surpassing their expectations (Oliver, Rust, & Varki, 1997). Service offering adaptation implies customizing offerings specific to customer needs, which thereby produces value, signifies quality, and ultimately establishes a better fit between a customer's needs and the product purchased (Ostrom & lacobucci, 1995). Accordingly, customers

attaining customized offerings are likely to appraise the outcome as desirable (i.e., outcome desirability appraisal) and experience delight. Consistent with this expectation, Arnold, Reynolds, Ponder, and Lueg (2005) find that 22% of informants' delightful shopping experiences were linked to non-interpersonal factors, such as acquiring exactly the right product. Likewise, a study by Barnes, Beauchamp, and Webster (2010) find 8.9% of delightful encounters as being affiliated with the core product. Cognitive appraisal theory and these patterns indicate that adapting offerings to better fit customer needs, that is, service offering adaptation, should elicit delight.

**H1.** Service offering adaptation will positively influence customer delight.

Extant research offers evidence that delight may be driven by interpersonal adaptive behavior. While not studying interpersonal adaptive behavior, Arnold et al. (2005) find different interpersonal factors such as FLE helpfulness, effort, engagement, friendliness, and commitment (i.e., putting forth extra time to help the customer) as influencing delightful experiences. Barnes, Ponder, and Dugar (2011) also find these interpersonal factors present in customer experiences of delight with an additional antecedent including perceptions of FLE skill.

**H2.** Interpersonal adaptive behavior will positively influence customer delight.

#### 2.4. Gratitude

Gratitude is a positive, social emotion that results from an individual (i.e., beneficiary) construing that another agency (e.g. FLE) has provided a benefit (i.e., other-agency appraisal), and it is enhanced when the benefit is appraised as valuable, costly to the benefactor, or benevolently given (Wood, Maltby, Stewart, Linley, & Joseph, 2008). Customization occurring through adapting a service offering inherently increases benefit value by providing an offering unique to a customer's needs. Since other-agency and benefit value appraisals elicit gratitude (Wood et al., 2008), customized offerings, as provided by FLEs, likely produce customer gratitude.

**H3.** Service offering adaptation will positively influence customer gratitude.

The social nature of service encounters also presents a favorable environment for the elicitation of gratitude. An extensive study by Bitner, Booms, and Tetreault (1990) reveals the significance of interpersonal behavior on customer responses within the service encounter. Particularly, these authors find that very satisfactory encounters are affiliated with unsolicited FLE actions exemplifying expressions of thoughtfulness or interest in the customer. Following cognitive appraisal theory, these FLE actions can be construed as benefits and may elicit an interpersonal appraisal regarding how thoughtful a benefactor was in providing a benefit. Benefactor thoughtfulness is critical to generating gratitude (Algoe, Haidt, & Gable, 2008), therefore interpersonal adaptive behavior is likely to generate appraisals of benefactor thoughtfulness, and thus, provoke feelings of gratitude.

**H4.** Interpersonal adaptive behavior will positively influence customer gratitude.

# 2.5. Delight to gratitude

Experiences of delight, which fundamentally stem from obtaining a desirable outcome, should prompt subsequent appraisals to provide meaning of a situation. Particularly, an other-agency appraisal should transpire as the customized benefit was provided by the FLE (i.e., other agent). Since appraising another agent as responsible for a

desirable outcome provokes gratitude (Weiner, 1985), delight and gratitude are likely related emotions.

**H5.** Delight will be positively associated with gratitude.

### 2.6. Positive emotions to perceptions of trust

Based upon existing theory, delight and gratitude are expected to be positively related to FLE trust, defined as the willingness of a customer to rely on an FLE in whom the customer has confidence (Morgan & Hunt, 1994). Specifically, the affect-as-information (Schwarz & Clore, 1983) model supports that emotions influence subsequent judgments by producing valence congruent evaluations and that emotional influence is more pronounced when the feelings are considered as representative of the object or relevant to the evaluation to be made (Pham, 1998). Because customer delight and gratitude are positive emotions stemming from FLE customization practices, when judging trust in an FLE, feelings of delight and gratitude will be considered diagnostic of the FLE's trustworthiness, subsequently producing positive, valence congruent effects on trust.

**H6.** Delight will positively influence FLE trust.

H7. Gratitude will positively influence FLE trust.

#### 2.7. Trust to loyalty

Within relationship marketing theory, trust is considered a necessary element for long-term buyer-seller relationships, because trust shifts the focus of relationships from short-term to long-term orientations (Ganesan, 1994). Research empirically supports this positive linkage, by demonstrating that high trust relationships allow firms to increase service to customers and improve long-term customer loyalty (Ganesan, 1994; Morgan & Hunt, 1994). Thus, consistent with relationship marketing theory:

**H8.** FLE trust will positively influence customer loyalty (Fig. 1).

#### 3. Study 1

## 3.1. Data collection and sample

Since customization research has primarily investigated service offering adaptation and interpersonal adaptive behavior from the FLE's perspective and the current research considers customization from the customer's perspective, items representative of the customer's perspective were needed. Items were generated from existing research (Gwinner et al., 2005; Roman & Iacobucci, 2010) and by content analyzing textual statements of positive customer experiences with FLEs (n=19). The generated items were pretested (n=124) to ensure clarity, convergent, and discriminant validity, all of which surpassed recommended psychometric standards.

Students enrolled in a subject pool at a major state university recruited 508 adult participants. The sample was 60% female, 84% identified as Caucasian, and the average age was 45. More than 10% of the participants were randomly selected and re-contacted, validating survey participation.

The survey informed participants that the researchers were interested in understanding customer experiences with FLEs. Definitions and examples of customer experiences and FLEs were provided. Then, participants were randomly assigned to one of two conditions that described either service offering adaption or interpersonal adaptive behavior (information available upon request). After presenting these descriptions, participants completed instructional checks to ensure their understanding of the instructions. Then, depending on the

assigned condition, participants were asked to recall an experience in which either an FLE customized a product or service for them (i.e., service offering adaptation), or an FLE customized his/her communication or performed actions to help them make a decision or acquire a product or service (i.e., interpersonal adaptive behavior).

After writing about their experiences in detail, participants completed all measures presented in Appendix A, including three control variables: trait gratitude (McCullough, Emmons, & Tsang, 2002), relationship stage, and relationship age (Palmatier, Houston, Dant, & Grewal, 2013), and measures gathered to assess common method variance. Last, manipulation checks asked participants to think back to the experience they described and indicate their level of agreement with the statements: "the employee customized his/her interpersonal communication or behavior," and "the employee customized a product or service."

#### 3.2. Results

#### 3.2.1. Manipulation checks

The manipulation check items were assessed to validate the two types of customization. As anticipated, significant mean differences were found in the expected direction. Participants in the service offering adaptation condition rated the FLE's customized communication or behavior as lower ( $\mu_{Service\ Offering\ Adaptation}=5.72;$  $\mu_{\text{Interpersonal Adaptative Behavior}} = 5.95$ , p < 0.05, but the customized product or service as higher ( $\mu_{Service\ Offering\ Adaptation}=6.18;$  $\mu_{\text{Interpersonal Adaptative Behavior}} = 5.46$ , p < 0.05) than participants in the interpersonal adaptive behavior condition. Although the mean scores across the two conditions supported the manipulations, some participants' scores were high on both types of customization, which is possible since interpersonal adaptive behavior and service offering adaptation can co-occur. For a more rigorous test of the hypotheses, participants scoring high (i.e., 7) on both measures were excluded in the subsequent analyses (usable n = 386); however, the following results did not significantly differ when including these participants.

#### 3.2.2. Common method variance

Because the study focuses on self-reported data, the researchers took several steps to minimize common method variance (CMV) by following the recommendations of Feldman and Lynch (1988) and Lindell and Whitney (2001). Due to its lack of theoretical association with other constructs in the conceptual model, vanity (Netemeyer, Burton, & Lichtenstein, 1995) was gathered to assess common method variance. This analysis suggests no concern for CMV, as only 8.82% of the variance is shared between vanity and other constructs in the model.

## 3.2.3. Confirmatory factor analysis

A confirmatory factor analysis including all constructs was performed to assess construct validity. The measurement model indicated good fit  $\chi^2$  (292) = 679.35, CFI = 0.95, RMSEA = 0.06. All items loaded significantly on their corresponding factor; and as demonstrated in Table 1, composite reliabilities exceeded 0.70 and average variance extracted for each construct exceeded 0.50, thus supporting convergent validity. Following Fornell and Larcker's (1981) recommendations, discriminant validity was assessed by comparing the average variance extracted to the shared variance between construct pairs. All instances supported discriminant validity (See Table 1 for details).

# 3.2.4. Hypothesis testing

A structural model, using relationship stage, relationship age, and trait gratitude as control variables, was specified to assess the hypotheses. The model indicated good fit ( $\chi^2$  (296) = 709.03, CFI = 0.95, RMSEA = 0.06). Counter to expectations, service offering adaptation had no effect on delight ( $\beta$  = 0.03, p > 0.05), but delight was positively and significantly influenced by interpersonal adaptive behavior ( $\beta$  =

**Table 1**Means, standard deviations, average variance extracted, and construct correlations.

Study 1	М	SD	AVE	1	2	3	4	5	6	7	8	9
Service offering adaptation	5.77	1.13	0.67	0.89								
Interpersonal adaptive behavior	5.84	0.99	0.63	0.50**	0.90							
Gratitude	5.98	1.10	0.80	0.54**	0.72**	0.92						
Delight	5.04	1.05	0.71	0.23**	0.40**	0.46**	0.92					
Trust	5.81	1.08	0.67	0.43**	0.64**	0.63**	0.45**	0.85				
Loyalty	5.82	1.13	0.84	0.41**	0.56**	0.58**	0.43**	0.59**	0.96			
Relationship stage	2.05	0.98	N.A.	-0.07	-0.13*	-0.18**	-0.17**	-0.08	-0.04	N.A.		
Relationship age	3.79	2.07	N.A.	-0.02	0.02	0.00	-0.04	0.01	$0.10^{*}$	0.39**	N.A.	
Trait gratitude	6.18	0.76	N.A.	0.13*	0.22**	0.15*	0.18**	0.27**	0.22**	0.01	0.05	N.A.
Study 2	Μ	SD	AVE	1	2	3	4	5	6		7	8
Service offering adaptation	4.11	2.22	0.92	0.98								
Interpersonal adaptive behavior	4.12	1.95	0.87	0.45**	0.97							
Gratitude	4.31	2.12	0.91	0.92**	0.46**	0.97						
Delight	4.14	1.99	0.87	0.89**	0.43**	0.92**	* 0.97					
Pride	3.92	1.48	0.61	0.67**	0.46**	0.71**	* 0.73	0.8	2			
Anger	3.23	1.91	0.80	-0.79**	-0.46**	-0.82*		* - 0.5°	9** (	0.92		
Trust	4.33	1.95	0.87	0.90**	0.51**	0.91**	* 0.89	* 0.7	1** -0	0.80**	0.93	
Trait gratitude	6.18	0.79	N.A.	-0.03	-0.05	-0.02	-0.00	-0.0	3 –(	0.02	-0.01	N.A.

Note. Items reflecting latent constructs utilized 7 point scales. Construct reliabilities are indicated on the diagonal.

0.35, p < 0.001). Therefore, evidence fails to support H1, but supports H2. In support of H3, H4, and H5, service offering adaptation ( $\beta = 0.23$ , p < 0.001) interpersonal adaptive behavior ( $\beta = 0.53$ , p < 0.001), and delight positively and significantly influenced gratitude ( $\beta = 0.19$ , p < 0.001). Both delight ( $\beta = 0.19$ , p < 0.001) and gratitude ( $\beta = 0.27$ , p < 0.001) significantly influenced trust, supporting H6 and H7; and as predicted in H8, trust favorably impacted loyalty ( $\beta = 0.37$ , p < 0.001).

To complement the findings, path comparisons further examined the comparative mediating effects of delight and gratitude. Although gratitude demonstrated a higher path estimate on trust than delight, no significant differences existed between the paths (z = 0.93, p > 0.05). Additional path comparisons assessed the elicitation of these emotions, revealing that both service offering adaptation (z = 2.50, p < 0.05) and interpersonal adaptive behavior (z = 2.04, p < 0.05) held significantly stronger effects on generating gratitude than delight. Then to ensure mediation, the bootstrapping estimates of indirect effects were assessed. With 5000 iterations, the 95% CIs for the indirect effect of service offering adaptation on trust and loyalty ranged from 0.01 to 0.17 and 0.01 to 0.12; and the indirect effect of interpersonal adaptive behavior on trust and loyalty ranged from 0.11 to 0.37 and 0.13 to 0.32, respectively. Since the CIs exclude zero, these results support that positive emotions account for the effects of service offering adaptation and interpersonal adaptive behavior on trust and loyalty.

### 4. Study 2

Thus far, evidence from Study 1 suggests that both interpersonal adaptive behavior and service offering customization build trust and consequently loyalty primarily through generating gratitude. Given the vast literature linking trust with loyalty, Study 2 focuses on how employees can engender trust through customization practices, while investigating three important issues. First, extant research reveals that positive outcomes are often attributed to one's own actions (Weiner, 1985), which raises the question of whether customization, a positive customer experience, also makes customers feel good about themselves? Thus, the current study examines the role of customer pride, a positive emotion associated with a self-agency appraisal (Gelbrich, 2011), in addition to gratitude and delight. Second, the current research maintains the key premise that customers appraise customization as desirable (i.e., outcome desirability appraisal) due to its alignment with customer needs and customer demand (Ghosh, 2015; Reed,

2014), however, this logically prompts investigating what happens at low levels of customization. That is, do customers appraise low levels of customization as undesirable and thereby ignite customer anger? Third, Study 1 investigates interpersonal adaptive behavior and service offering adaptation in isolation, which naturally raises the examination of how customers react to the co-occurrence of both types of customization. The following study explores the co-occurrence of both types of customization while investigating the additional emotions of pride and anger to identify which, if any, emerge as explanatory mechanisms of the customization-trust link. While no formal hypothesis is developed for the interaction between customization types, hypotheses pertaining to the additional emotions are as follows.

### 4.1. Pride

In addition to eliciting delight and gratitude, customization likely also elicits pride, which is a positive emotion that results from a selfagency appraisal. That is, customers feel pride when they construe themselves as responsible for a positive outcome (Weiner, 1985). Extant theory suggests that customers often exhibit a self-perception bias, in which they attribute positive outcomes (i.e., situations) to the self (Weiner, 1985). Therefore, although service offering adaptation is often provided by an FLE (Gwinner et al., 2005), due to self-perception bias, customers may also construe themselves as responsible for obtaining a customized offering and thereby experience pride. Another explanation for why service offering adaptation may influence pride stems from research on customer' perceived abilities, such that when customers construe the cause of an event to their abilities, customers experience pride (Gelbrich, 2011). Individuals can take pride in their decision making abilities. That is, smart consumption decisions make customers feel good about themselves (Burton, Lichtenstein, Netemeyer, & Garretson, 1998). Thus, when service offering adaption occurs, customers may perceive themselves as a smart shopper (i.e., perceive themselves as making a smart decision) and experience

Likewise, customization through interpersonal adaptive behavior may also elicit customer pride as customer reactions are significantly affected by how FLEs communicate with them. FLEs communicating with adaptive, accommodative, or affiliative styles often elicit positive reactions from customers, including higher customer satisfaction and customer perceptions of service quality (Roman & Iacobucci, 2010; Sparks, Bradley, & Callan, 1997). Moreover, extant research shows that

<sup>\*</sup>  $p \le 0.05$ .

<sup>\*\*</sup>  $p \le 0.001$ .

interpersonal adaptive behavior positively impacts customer satisfaction with salespeople and customers' intention to interact with the salesperson in the future (Roman & Iacobucci, 2010). Therefore, FLEs adapting their communication, presentation style, and social behaviors to each customer's unique needs, might also make customers feel as though they made a smart decision in selecting that service provider, and thus, experience pride.

**H9.** Service offering adaption will positively influence pride.

**H10.** Interpersonal adaptive behavior will positively influence pride.

Emotion theory also suggests that customer pride will positively influence trust in the FLE. Specifically, research has shown that emotions often have valence congruent effects on subsequent judgments (Dunn & Schweitzer, 2005; Schwarz & Clore, 1983), indicating that the positivity of pride should lead to higher FLE trust. Despite pride being associated with a self-agency appraisal, extant research offers support for this contention. In studying the influence of several emotions on trust in another individual, Dunn and Schweitzer (2005) find that while gratitude generates the highest trust in another agent (7-point scale; M=5.74), pride also generates fairly high levels of trust (M=5.12). Thus, customer pride is expected to produce a valence congruent effect of increased FLE trust (Schwarz & Clore, 1983).

H11. Pride positively influences FLE trust.

### 4.2. Anger

While customization elicits positive customer emotions, low levels of customization likely elicit negative reactions, including anger. Customers experience anger when they appraise another agent as responsible for an undesirable outcome (Dunn & Schweitzer, 2005). Given the growing demands for customization and the notion that adapting a service creates a better fit between customer needs and offering characteristics, customers likely appraise low levels of service offering adaptation as undesirable. According to emotion theory, an undesirable outcome prompts secondary appraisals where customers seek to identify the agent at fault. Two key reasons explain why customers may appraise the employee as the responsible party. First, FLEs are typically responsible for providing service customization (Gwinner et al., 2005), thus, it is logical that customers may blame FLEs for providing low levels of customization. Second, individuals often exhibit self-serving bias by appraising external sources (e.g. other individuals) as responsible for undesirable outcomes (Weiner, 1985). Thus, in the aversive event of receiving low levels of service offering adaptation, customers may appraise the employee as responsible, and consequently, experience anger.

Low levels of interpersonal adaptive behavior likely elicit anger as well, as an FLE's communication style significantly impacts customer reactions. Since adaptive styles lead to positive customer reactions (Roman & Iacobucci, 2010; Sparks, Bradley, & Callan, 1997), adaptive styles might then reduce customers' negative emotions, such as anger. Conversely, this implies that low levels of FLE adaptive behavior can elicit customer anger.

**H12.** Service offering adaption (low service offering adaptation) will reduce (heighten) anger.

**H13.** Interpersonal adaptive behavior (low interpersonal adaptive behavior) will reduce (heighten) anger.

Consistent with extant research and theory, customer anger should negatively affect FLE trust. Valence congruency theory suggests that anger, by being a negative emotion, should lead to negative outcomes, such as reduced trust in an FLE (Schwarz & Clore, 1983). Although not studied in a customer context, extant research supports this contention

by showing that when feeling angry, individuals report decreased levels of trust in another party (Dunn & Schweitzer, 2005).

H14. Anger will negatively influence trust.

#### 4.3. Method

A 2 (interpersonal adaptive behavior: high vs low) by 2 (service offering adaptation: high vs low) between-subjects design was used. Participants were randomly assigned to one of four conditions describing a service encounter between a travel agent and a customer, in which participants were asked to imagine themselves as the customer. The scenarios were pretested (n = 88) to confirm successful manipulations. In the scenario, participants were told that they wanted to travel abroad and had arranged an appointment with a travel agency. When they arrived at the travel agency, the travel agent asked, "What brings you in today?" and the customer replied by mentioning their desire to vacation abroad and travel preferences (information available upon request). Next, participants were exposed to the interpersonal adaptive behavior manipulation by whether (high) or not (low) the travel agent: asked clarifying questions, took notes, listened closely, discussed the strengths and weaknesses of different accommodations and attractions, and gave the impression that he/she was speaking to the customer differently. In all conditions, participants were informed that they spent 30 min talking with the travel agent and that their conversation concluded by the agent thanking the customer for coming by and mentioning that the customer should receive a travel package via email later that day. Service offering adaption was then manipulated by the travel package the customer received. In the high service offering adaptation condition. the travel package was completely customized to the customer's preferences, whereas in the low condition, only travel dates were customized. After reading the scenario, participants completed all measures (see Appendix A for item details; customization measures were used as manipulation checks).

# 4.3.1. Data collection and sample

As with Study 1, students enrolled in a subject pool at a major state university recruited 420 adults to participate in the study. Sixty-five subjects were removed from the data set due to failing an attention check within the study. The sample was 64% female, 76% identified as Caucasian, and the average age was 45.

### 4.4. Results

## 4.4.1. Manipulation checks and construct validity

Analysis of variance reveals support for the manipulations. For interpersonal adaptive behavior (F = 392.38, p < 0.001), participants rated the travel agent as displaying more adaptive behavior in the high condition (M = 5.49) compared to the low condition (M = 2.67). Similarly, regarding service offering adaption (F = 687.57, p < 0.001), participants in the high condition showed significantly higher agreement to receiving a customized offering (M = 5.88) than participants in the low condition (M = 2.28).

Construct validity and item properties were examined following the same procedures in Study 1. These analyses confirmed convergent and discriminant validity and revealed expected associations among the emotions (see Table 1).

## 4.4.2. Effects on emotions

MANCOVA, using trait gratitude as a covariate, tested the effects of interpersonal adaptive behavior and service offering adaptation on gratitude, delight, pride, and anger. As predicted, the multivariate results indicated a significant main effect of interpersonal adaptive behavior (Wilks'  $\lambda = 9.07, p < 0.001$ ), a significant main effect of service offering adaptation (Wilks'  $\lambda = 179.31, p < 0.001$ ), and although not

predicted, a significant interaction between interpersonal adaptive behavior and service offering adaptation (Wilks'  $\lambda=3.94,\,p<0.001$ ). The univariate results were examined to ascertain the root of these effects, revealing that: service offering adaptation significantly (p<0.001) increased delight, gratitude, and pride and decreased anger, supporting H1, H3, H9, and H12; and interpersonal adaptive behavior significantly (p<0.001) increased delight, gratitude, and pride, and decreased anger, supporting H2, H4, H10 and H13. While not hypothesized, it is reasonable that the interaction between interpersonal adaptive behavior and service offering adaptation significantly (p<0.05) impacted delight, pride and anger, such that delight and pride were substantially heightened and anger was considerably reduced when both customization types were at high levels (See Fig. 2). (See Fig. 1.)

## 4.4.3. Effects on trust

To examine the effects on trust, ANCOVA was performed, again using trait gratitude as a covariate. As expected, service offering adaptation (F = 431.81, p < 0.001) and interpersonal adaptive behavior (F = 41.38, p < 0.001) significantly increased trust, with a significant interaction (F = 9.20, p < 0.01) between interpersonal adaptive behavior and service offering adaptation. Mirroring the effects on emotions, the interaction results show that trust substantially increased when both types of customization were at high levels (See Fig. 2).

#### 4.4.4. Mediation testing

In light of the interaction identified in the MANCOVA results, mediated moderation analysis was examined using PROCESS Model 8 (Hayes, 2013) with 5000 bootstrap samples. The independent variable was interpersonal adaptive behavior (0 = low, 1 = high), the moderator was service offering adaptation (0 = low, 1 = high), the mediators were gratitude, delight, pride and anger, the dependent variable was trust, and the covariate was trait gratitude. Consistent with the MANCOVA results, examining the moderation of the direct path revealed that interpersonal adaptive behavior fostered higher trust when the employee behavior was combined with customized offerings. Specifically, the 95% confidence interval (CI) for the direct effect (DE) of interpersonal adaptive behavior on trust excluded zero when service offering adaptation was high (DE: 0.4008, CI = 0.1518-0.6499), but included zero when service offering adaptation was low (DE: 0.1480, CI = -0.0928 - 0.3889). To assess mediated moderation, conditional indirect effects (IEs) were examined, which supported gratitude as a mediator at both levels of service offering adaptation (Low: IE = 0.1265, CI = 0.0195-0.2767; High: IE: 0.2255, CI = 0.1178-0.3709), thus supporting H7; however, delight, pride, and anger only functioned as mediators between interpersonal adaptive behavior and trust when service offering adaptation was high, but not low, as CIs for the latter included zero (See Table 2). This latter finding provides partial support for H6, H11, and H14, and complements the findings in Study 1, such that gratitude appears to be the primary emotion explaining customization's positive effects on trust.

### 5. Discussion

### 5.1. Theoretical implications

This research makes substantial contributions by exploring both cognitive and affective mechanisms by which service customization operates. The current research demonstrates that customization elicits customer emotions that, in turn, generate trust in the FLE, and subsequently loyalty. Study 1 tested this proposition, confirming the primary influence of customer gratitude. Study 2 further supported gratitude and delight's positive effect on trust, and also offered evidence for the positive effect of pride and negative effect of anger. These findings are interesting since these emotions differ in regards to the agency appraisal. Gratitude and anger are elicited by an other-agency appraisal, pride is elicited by a self-agency appraisal, and delight has not been linked to a particular agency appraisal. Given that customization is provided by another agency (i.e., the employee), one may conjecture that gratitude may play a primary role generating trust, yet research shows that individuals often attribute themselves as responsible for positive outcomes (Weiner, 1985). The current findings show that gratitude plays a critical role, as gratitude mediates the effect of interpersonal behavior on trust at both high and low levels of service offering customization. However, pride, delight and anger are also influential, as these emotions mediate the effect of interpersonal adaptive behavior on trust at high levels of service offering adaptation. Thus, not only does customization make customers feel good about employee actions, but customization also makes customers feel good about themselves, further demonstrating that customization works through affective and cognitive mechanisms, which is a departure from much work in this area.

Second, the results herein support the claim that researchers need to "move beyond the umbrella of positive affect" (Oliver et al., 1997, p. 330) and separately explore the effects of specific emotions instead of lumping positive or negative affect together as one construct. In both studies, gratitude served as the key mediator, outperforming other emotions in driving trust. These findings support the social and relational nature of gratitude, and converge with existing appraisal theory noting the key appraisals (other-agency, benefit value, beneficiary cost, and intention) eliciting gratitude (Wood et al., 2008). Moreover, by finding differences between gratitude, delight and pride, these results are consistent with research noting the "carry-over" effects from cognitive appraisals that inevitably prompt specific action tendencies (Dunn & Schweitzer, 2005). With the growth in positive psychology and renowned interest in positive emotions, continued

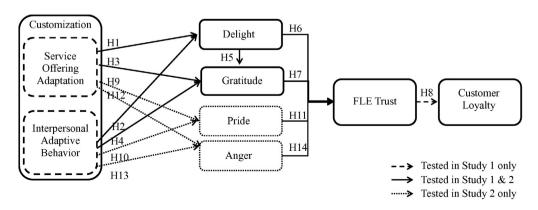


Fig. 1. Conceptual model.

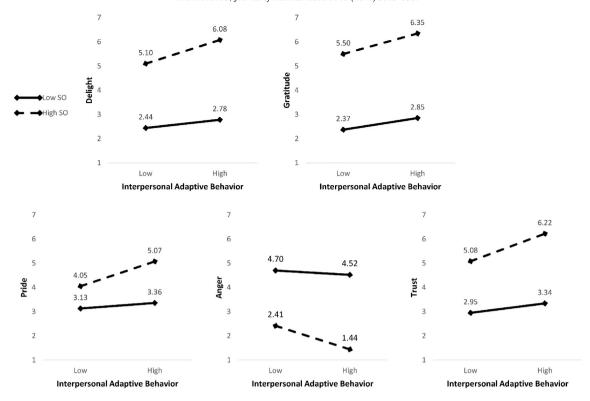


Fig. 2. Interpersonal adaptive behavior and service offering adaptation on customer emotions and trust.

studies are necessary to explain the individual effects of gratitude, delight, and pride on customer judgments.

Third, most research investigating the relationship shared between customization and loyalty has studied service offering adaptation or interpersonal adaptive behavior separately (Ball et al., 2006; Coelho & Henseler, 2012), and with regard to the latter, most research fails to examine the customers' perspective. The current research contributes to theory by studying *both* aspects of customization simultaneously from the customers' perspective. By including service offering adaptation and interpersonal adaptive behavior, this research finds that in isolation, both types of customization do, in fact, lead to loyalty, however, the combination of both customization types produces the greatest outcomes for

**Table 2**Moderated direct and indirect effects.

Interpersonal adaptive behavior on trust for levels of service offering adaptation					
Service offering adaptation	Indirect effect	95% Confidence interval			
Low High	0.1480 <b>0.4008</b>	-0.0928-0.3889 <b>0.1518-0.6499</b>			

Mediation of interpersonal adaptive behavior on trust for levels of service offering adaptation

Mediator	Service offering adaptation level	Indirect effect	95% confidence interval
Gratitude	Low	0.1265	0.0195-0.2767
	High	0.2255	0.1178-0.3709
Delight	Low	0.0744	-0.0143 - 0.2028
	High	0.2148	0.1018-0.3576
Pride	Low	0.0184	-0.0085 - 0.0781
	High	0.0837	0.0155-0.1809
Anger	Low	0.0424	-0.0567 - 0.1551
	High	0.2162	0.1201-0.3304

firms. These results are consistent with recent findings from *The 2015 CMO Survey*, indicating that service is customers' top priority, surpassing all other concerns, including product quality and low prices (Moorman, 2015) and the large body of research noting the importance of FLE interpersonal behavior within the service encounter (Bitner et al., 1990).

#### 5.2. Managerial implications

In addition to advancing research through theoretical contributions, this work offers important insights for practitioners. First, practitioners benefit from understanding the types of customization as proactive customer service tools. Particularly relevant for managers, recent reports suggest that U.S. businesses lose an estimated \$83 billion each year due to defections and abandoned purchases resulting from poor customer experiences (Tschohl, 2013) and that customer complaints are at an all-time high (Freeman, 2013). In this competitive environment, understanding cost effective tools to improve the customer experience is critical. The fact that both studies in the current research support using customized interpersonal adaptive behaviors to drive positive customer responses is good news for firms as products and services can increase costs and reduce economies of scales. Encouraging FLEs to use interpersonal adaptive behaviors, however, utilizes an existing resource (FLEs) and adjusts existing training programs to generate positive customer outcomes. Achieving such outcomes with small additional costs makes customization through interpersonal adaptive behaviors a desirable proactive strategy for firms to improve customer loyalty and drive revenue growth.

Second, these findings provide bricks-and-mortar retailers with strategies to defend against the growing trend of showrooming, where customers visit stores, but use their mobile devices to purchase products elsewhere (Cooper, 2012). Industry surveys show firms with a 5% loss in sales in 2012 (Pant & Agarwal, 2012)

and offer that 30% of online purchases are a result of showrooming (IBM, 2014). Customization may be the answer to showrooming by offering ways to both customize offerings and employee behaviors. Small businesses and retailers in specialty markets find such a customization strategy particularly beneficial in response to showrooming, as the business press notes small retailers can better customize due to their one-on-one interface with customers (Hellwig, 2015). Research on FLE behavior supports such a strategy finding that engaging showrooming customers in the buying process aids in improving sales performance (Rapp, Baker, Bachrach, Ogilvie, & Beitelspacher, 2015).

Given that one in nine people in the U.S. work force is employed in a sales role and the service sector accounts for 80% of the GDP in the U.S. (Burrus, 2015), customization is a critical factor impacting a firm's future sales performance. For firms, this means that the definition of "going above and beyond" is changing and managers must adopt strategies to meet this new demand. FLEs are often taught general rapport building skills, such as engaging in attentive, imitative, courteous, and common grounding behaviors (Gremler & Gwinner, 2008). However, using the same rapport building techniques on every customer may no longer be sufficient. Authentic or intrinsically motivated (Roman & Iacobucci, 2010) attempts by the FLE to uniquely connect through tone, vocabulary, and needs identification allow the FLE to better serve the customer and offer the customer evidence that the FLE and the firm are specifically interested in their individualized needs.

#### 5.3. Limitations and future research

The current research offers substantial insight for researchers and practitioners; however, limitations and opportunities for future research exist. One limitation is that the current research examined loyalty to the firm, whereas some research has found that that salesperson-owned loyalty may have more favorable effects on sales growth (Palmatier, Scheer, & Steenkamp, 2007). Gratitude, inherently social in nature, may demonstrate stronger effects on salesperson-owned loyalty than those found in the current research, suggesting future research may be needed in this area.

Another potential limitation when studying customization is the 'hidden' nature of interpersonal adaptive behaviors. If managers and FLEs are highly effective at executing these behaviors, then customers may not recognize that these behaviors are occurring. This presents a problem when investigating the impact of these behaviors from the customer perspective as the behaviors may not surface in customer responses. Despite this concern, research demonstrates that customers can detect FLE acting strategies, and that this detection impacts customer evaluations (Groth, Hennig-Thurau, & Walsh, 2009). This is consistent with participant comments within the pretest indicating that customers can identify FLE adaptive behaviors. In considering the significant effects of interpersonal adaptive behaviors in both studies herein, the evidence suggests that these results are indeed conservative estimates of the actual impact of interpersonal adaptive behaviors.

### **Appendix A. Measurement properties**

ltems	Study 1 Standardized factor loading	Study 2 Standardized factor loading
Interpersonal adaptive behavior		
The employee treated me as a unique individual.	0.85	0.90
The employee tried to "get-to-know" me.	0.72	0.94
The employee provided me personal treatment.	0.78	0.95
The employee communicated with me on a personal basis.	0.74	0.95
The employee treated me as an individual and not just a number.	0.89	0.93
Service offering adaptation		
The product or service was "tailor-made" for me.	0.82	0.96
The product or service was customized to my needs.	0.86	0.98
The product or service was customized for me.	0.91	0.93
The employee adapted the type of service to meet my unique needs.	0.66	0.96
Gratitude (Emmons & McCullough, 2003)		
Grateful	0.92	0.95
Thankful	0.92	0.97
Appreciative	0.85	0.95
Delight (Oliver et al., 1997)		
Elated	0.84	0.95
Stimulated	0.81	0.87
Cheerful	0.79	0.93
Excited	0.86	0.97
Enthused	0.90	0.95
Pride (Gelbrich, 2011)	0.00	0.00
Proud of myself	_	0.81
Full of pride	_	0.81
Self-confident	_	0.72
Anger (Bougie, Pieters, & Zeelenberg, 2003)		0.72
Enraged	_	0.76
Angry	_	0.96
Mad	_	0.94
Trust (Morgan & Hunt, 1994)		0.07
I felt the employee		
Can be counted on to do what is right	0.96	0.93
Has high integrity	0.90	0.93
Cannot be trusted at times (reverse)	0.52	-
Loyalty (Harris & Goode, 2004)	0.32	_

#### Appendix A (continued)

Items	Study 1 Standardized factor loading	Study 2 Standardized factor loading
When considering this type of product or service, I consider this company as my first choice.	0.88	_
In the future, if I were to need this product or service, I would contact this company first.	0.90	-
I would favor the offerings of this company before others.	0.95	-
I would choose to use this company in preference to competitor firms.	0.95	-
Relationship age (measured in years the participant frequented the company)	N/A	-
(1) Less than 1 year		
(2) 1 year		
(3) 2 years		
(4) 3 years		
(5) 4 years		
(6) More than 4 years		
Relationship stage (see Palmatier et al. (2013) for instructions and N/A response options)		-
(1) Exploration		
(2) Expanding		
(3) Maturity		
(4) Declining		
Trait gratitude (McCullough et al., 2002)	N/A	N/A
I have so much to be thankful for.		
If I had to list everything that I felt grateful for, it would be a very long list.		
When I look at the world, I don't see much to be grateful for (r).		
I am grateful to a wide variety of people.		
As I get older I find myself more able to appreciate the people, events, and situations that have been part of my life history. Long amounts of time can go by before I feel grateful to something or someone (r).		

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