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Anyuan Shen A. Dwayne Ball

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Is personalization of services always a good thing? Exploring the role of technology-mediated personalization (TMP) in service relationships

Anyuan Shen

School of Business, State University of New York, New Paltz, New York, USA, and

A. Dwayne Ball

Marketing Department, College of Business Administration, University of Nebraska, Lincoln, Nebraska, USA

Abstract

Purpose – Despite the strong intuitive appeal of personalization (through employees or, increasingly, through the use of software applications), relatively little is known about its role in managing service relationships. This study aims to explore the burgeoning area of technology-mediated personalization and its effects on customer commitment to service relationships.

Design/methodology/approach – A theoretical perspective based on integrated reviews of service research and relationship marketing is developed and used to guide the exploration of personalization effects with qualitative data.

Findings – Personalization is not always good enhancement to service: its effects have contingencies and vary across the categories. Continuity personalization seems to be a promising area for researchers and practitioners.

Research limitations/implications – Personalization effects should be rigorously studied. Continuity personalization seems to offer a promising area for future research.

Practical implications – The intuitive belief about personalization is probably misleading. Whether or not personalization strategies help service relationships depends on their capacity to generate positive inferences on dimensions of performance, benevolence, and value provision. Out of the three types, continuity personalization offers a promising strategic option for managing ongoing customer relationships if well implemented.

Originality/value – The counter-intuitive insights into personalization effects on relationship continuity address issues of theoretical and practical concerns.

Keywords Relationship marketing, Trust, Customer loyalty

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this article.

Introduction

Personalized service is often considered an unalloyed good. Adjusting and modifying the service, and making personalized recommendations, are simply considered a way to greater customer satisfaction. But, we ask in this paper, “is personalization always good service? Does personalization always result in higher customer satisfaction and therefore help the service relationship?”

Service firms routinely practice personalization during face-to-face service encounters (Gwinner *et al.*, 2005; Mittal and Lassar, 1996). They also increasingly use information technology applications to personalize products and services

(Ansari and Mela, 2003; Winer, 2001) to develop longer-term, more personal relationships with their valuable customers. Despite personalization’s strong intuitive appeal for service firms, we know relatively little about its role in delivering customer satisfaction and enhancing service relationships. Knowing how customers actually respond to personalization is of particular relevance to researchers and practitioners of service personalization.

We explore this question within the context of the burgeoning area of technology-mediated personalization (TMP) – personalizing customer interactions and service offerings through information technology such as customer databases and applications software – and its effects on service relationships (Ball *et al.*, 2006). Our research suggests that the effects of this type of service personalization may be more complex than previously hinted in the literature (Gilmore and Pine, 1997; Pine *et al.*, 1995). Here, we make a distinction between personalization implemented by service representatives (e.g. Gwinner *et al.*, 2005; Surprenant and Solomon, 1987) and TMP, or personalization through

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information technologies (e.g. databases, CRM applications, recommendation systems). In most cases, this is accomplished by an internet website interface. It is occasionally accomplished through telephone, in-person, or e-mail connections with a service representative. However, as we define it, the personalization aspect is driven by information technology. That is, if a human service representative is involved in customer transactions, his or her personalized recognition of, and personalized offers to, the customer are completely driven by a customer database and software, rather than information stored in that representative's brain. An individual customer service representative, in the case of TMP, has probably not dealt with the particular customer before and must rely on company records and software prompts to personalize the interaction and the offer. Under our definition of TMP, the representative is not allowed to go beyond the recommendations provided by the marketer's information system. While many personalization events using human service representatives will fit this pattern, many will not, and thus do not fall under the rubric of TMP.

We expect technology-mediated personalization of customer interactions, particularly without human service representatives, to continue to grow and to become common in the future. Many on-line book-buyers, for example, are already familiar with personalized recommendations provided by Amazon.com, and many movie renters are already familiar with NetFlix.com's on-line recommendations. However, our extant knowledge of personalization effects is sparse. Thus, we focus on TMP because it is a growing and under-studied area, and it represents a strong opportunity to separate the effects of personalization itself from the effects of the personal relationship a customer might have with a service representative (Beatty *et al.*, 1996; Price and Arnould, 1999). To audit the effects of personalization, we adopt the following theoretical perspective:

- There are three types of personalization: interaction personalization, transaction outcome personalization, and continuity personalization.
- Types of personalization induce patterned customer attributions to the firm on the dimensions of performance, benevolence, and value provision.
- Customer attributions, in turn, affect relationship status variables such as satisfaction, value, trust, and commitment.

The paper is structured as follows. We first review literatures of service research and relationship marketing for theoretical insights into personalization types, personalization effects, and relationship antecedents. Reviews will then be synthesized to develop a working perspective to auditing the effects of personalization. We then describe the methodology for data collection and analysis, and report research results by generating researchable propositions. Theoretical and managerial implications will also be discussed.

Literature review

What can we learn from previous work to better understand TMP? We expect that service research will offer insights into personalization dimensions and modifiers of personalization effects, and the relationship marketing literature will inform us on key relationship predictors and processes.

Personalization in service research

The service research literature has dealt with personalization at the service-representative/customer interface, and has assumed at least some autonomy on the part of the representative, unlike we do with TMP. Nonetheless, we may find some useful ideas for TMP in the service literature, because a service representative's behavior during service encounters critically affects customer satisfaction (Bitner *et al.*, 1994; Bitner *et al.*, 1990) and quality perceptions (Parasuraman *et al.*, 1991; Parasuraman *et al.*, 1988).

In service research, personalization refers to customizing services to an individual customer through the adaptive behavior of service representatives, and consists of two distinct dimensions: interpersonal adaptive behavior and service-offering adaptive behavior (Gwinner *et al.*, 2005; Surprenant and Solomon, 1987). In the former case, employees may adjust their verbal and nonverbal behavior to the interpersonal context of the service interaction, such as addressing customers by first name, engaging in small talk, displaying personal attention and warmth, and demonstrating a genuine desire to assist the customer (Bettencourt and Gwinner, 1996; Goodwin, 1996; Mittal and Lassar, 1996; Surprenant and Solomon, 1987). In the latter case, employees tailor service offering to an individual customer by offering options (Surprenant and Solomon, 1987) or exercising discretion to accommodate the need of customers (Kelley, 1993). We believe these two dimensions may be of use in understanding not only service personalization through human representatives, but TMP as well.

Research on the effects of service personalization is limited (Gwinner *et al.*, 2005) and yields mixed results. Mittal and Lassar (1996) find that personalization is positively associated with customer service evaluation and patronage decisions, especially in exchange situations that entail "people processing service" relative to "possession processing service." While offering options may positively influence satisfaction with the service offering and trust of the bank, small talk may decrease perceived employee performance and trustworthiness of the bank (Surprenant and Solomon, 1987). Customers may differ in the desire for personalization (Bettencourt and Gwinner, 1996). Personalization effects seem to depend on individual customers and service situations. It is important to note that, while personalization through human service representatives frequently has positive relationship effects, it can have negative ones as well.

As the service research literature is grounded in an interpersonal paradigm, two caveats may be needed in the case of TMP:

- 1 If personalization is conducted entirely through technology with minimal human contact, to what extent do the two personalization dimensions apply? Are there other dimensions in addition to interpersonal adaptive behavior and service-offering adaptive behavior?
- 2 Given the bottom line relevance of customer retention, how do encounter-specific effects of personalization contribute to relationship commitment?

These questions will be discussed in turn in next sections.

Relationship marketing in the consumer market

How might TMP affect customer commitment to the service relationship, which is the critical outcome variable in relationship marketing?

In the relationship marketing literature, it is generally agreed that trust is a critical mechanism to enhance relationship commitment (Chaudhuri and Holbrook, 2001; Doney and Cannon, 1997; Singh and Sirdeshmukh, 2000). Trust can be defined as a customer's confidence in the service firm's reliability and integrity (Morgan and Hunt, 1994). Commitment refers to a customer's enduring desire to maintain a valued service relationship (Moorman *et al.*, 1992). Trust is also conceived to have two dimensions: performance refers to a customer's confidence in the firm's expertise to provide effective and reliable services while benevolence refers to a customer's belief in the firm's intentions and motives to place customer interest ahead of company interest (Ball *et al.*, 2004; Ganesan, 1994; Sirdeshmukh *et al.*, 2002).

Customer's perceived value may also play a critical role in delivering relationship satisfaction and customer loyalty. Research generally conceptualizes perceived value as a trade-off of higher-order benefits and sacrifice (Zeithaml, 1988) or as a consumer's perception of benefits minus costs in a service relationship (Agustin and Singh, 2005; Sirdeshmukh *et al.*, 2002). Relational benefits (Gwinner *et al.*, 1998) refer to the intrinsic and extrinsic benefits provided by the ongoing relationship whereas relational costs include both monetary and nonmonetary sacrifices (Gwinner *et al.*, 1998; Sirdeshmukh *et al.*, 2002). Research has consistently found that perceived value is a critical predictor of relationship commitment (Agustin and Singh, 2005; Parasuraman and Grewal, 2000; Sirdeshmukh *et al.*, 2002).

What are the antecedents of trust and perceived value, given their critical role in predicting relationship commitment? Researchers suggest that perceptions of trustworthy behaviors, i.e. performance and benevolence, induce trust (Ganesan, 1994; Sirdeshmukh *et al.*, 2002). Trust also develops over time (Morgan and Hunt, 1994; Singh and Sirdeshmukh, 2000). Relational value may be enhanced by value provision that offers a more favorable, satisfying benefit-cost structure (Gwinner *et al.*, 1998; Zeithaml, 1988). Marketing stimuli such as personalization induce perceptions of performance, benevolence, and value provision through the process of customer attributions (Folkes, 1988).

The relationship marketing literature suggests that personalization strategies do not affect service relationships directly; rather, their effects may be mediated via the impact on key relationship antecedents (performance, benevolence, and value provision), which subsequently affects relationship status variables such as satisfaction, trust, value, and commitment. Whether a certain type of personalization has positive effects depends on its capability of inducing favorable attributions of a service firm's performance, benevolence, and value provision.

Next, the review will be synthesized to formulate a working perspective of TMP dimensions and the personalization effects.

TMP dimensions and personalization effects: an integrated view

We suggest that:

- the two types of personalization conceptualized in the service research literature can be usefully extended to TMP by adding a third type; and

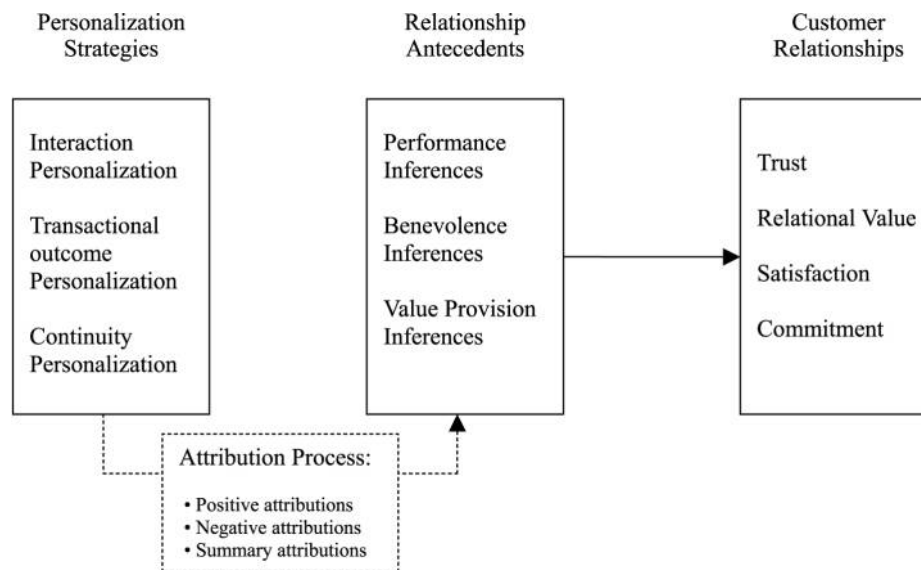
- the contingencies of personalization effects as discussed in service research and the relationship predictors and processes as reviewed in the relationship marketing literature can be integrated to form a working perspective of personalization effects in TMP, by adding an attribution process as a linkage.

Three types of TMP

Personalization through information technology has become a core component of customer relationship management in service interactions. We sum up from a vast literature the various ways to personalize products and services through technology and classify them into three categories (see Figure 1):

- 1 *Interaction personalization* refers to individualized courtesy and recognition behavior in firm-customer service interactions. Service firms may address a customer by name, cordially refer to something particular about the customer (his family member, activity, etc.), or display other cues of personal intimacy in service interactions. Examples may include personalized mails, emails, or individualized interactions on websites or through telephone (Johnson and Nunes, 2003; Kasanoff, 2001; Tamminga, 2003). Interaction personalization seems to be a close analogy of interpersonal adaptive behavior, although it often does not involve the behavior of service representatives.
- 2 *Transaction outcome personalization* refers to customization of products or service offerings based on customer specifications. A service firm may offer to customize certain features of its product or service. This may involve the customization of website messages (Ansari and Mela, 2003; Moon, 2002) or website-based product configuration (Dellaert and Stremersch, 2005; Fiore *et al.*, 2004). Transaction outcome personalization is a close parallel of service-offering adaptive behavior, although it does not involve the behavior of a service representative either.
- 3 *Continuity personalization* refers to ongoing customization based on adaptive learning and knowledge of customer preferences and/or goals. A firm may offer to personalize, continuously learns about the customer's preferences or goals and, based on knowledge of the customer's preferences or goals, leverages its expertise to customize service offers to this individual customer. The customer-firm dyad is engaged in a technology-mediated learning relationship (Pine *et al.*, 1995; Rust *et al.*, 2000). In extant service research, there seems to be no parallel to continuity personalization.

Yet, it would seem that this is by far the most interesting and useful form of personalization. Competitors can copy a firm's name recognition of a customer or other attempts to create "warmth" in service interactions. Competitors can also copy transaction outcome personalization, merely by giving the customer options available for a particular service at the time of transaction. What competitors cannot copy, however, is personalized offerings based on unique knowledge of the customer gained over multiple transactions that were not made with the competitor. Therefore, continuity personalization, under circumstances where the service and customer preferences are complex and important enough, potentially provides the basis for a solid competitive advantage, through the creation of a switching barrier in the

Figure 1 A perspective to TMP effects on relationship commitment

customer's mind. That is, "if I switch, I will get poorer service from someone who understands me less well." Such continuity personalization is certainly a large part of the competitive advantage of highly personal services such as those provided by doctors and hairdressers, for example. Accomplishing continuity personalization through technology, however, is still in its infancy. We expect TMP through continuity personalization to grow and become a major factor in services in the future.

Relationship effects of TMP

TMP is becoming an essential tool for managing customer relationships (Sheth and Parvatiyar, 1995; Sisodia and Wolfe, 2000) and is supposed to have positive impacts on service relationships. Because of the bottom line relevance of customer loyalty (Reichheld and Sasser, 1990; Reichheld and Scheffer, 2000), customer retention has received unprecedented emphasis under agendas such as one-to-one marketing (e.g. Peppers and Rogers, 2001), customer equity (e.g. Rust *et al.*, 2000), and customer lifetime value (e.g. Rust *et al.*, 2001).

In our perspective (see Figure 1), personalization strategies influence relationship antecedents through attribution processes. Specifically, the three types of TMP (interaction, transaction outcome, and continuity) induce customers to make attributions (positive, negative, and summary) of a service firm's performance, benevolence, and value provision. It is the attributions of performance, benevolence, and value provision on the part of the customer, rather than personalization strategies on the part of the service firm, that directly influence trust, relational value, satisfaction, and, ultimately, commitment. The question of personalization effects may thus be reframed as: which personalization strategies are capable of inducing favorable inferences on dimensions of performance, benevolence, and value provision?

We suggest that TMP-related attribution processes may be better understood in terms of three types of attributions: positive attributions, negative attributions, and summary

attributions. By positive attributions, we suggest that personalization strategies may incur favorable inferences of performance, benevolence, or value provision. For example, customers may see customized website content as more valuable. Positive attributions obey the "the-more-the-better" rule: the more capable a personalization strategy is of creating positive attributions on the dimensions (performance, benevolence, and value provision), the better strategy it is. We want to ask this question: "Which personalization strategies lead customers to infer higher levels of perceived performance, benevolence, or value provision?"

By negative attributions, we posit that personalization strategies may actually incur unfavorable inferences of performance, benevolence, or value provision. For example, customers who must spend hours to get website content customized to their specifications may see this personalization strategy as cumbersome and less valuable. Negative attributions obey the "the-less-the-better" rule: the more capable a personalization strategy is of reducing negative attributions on the dimensions of performance, benevolence, and value provision, the better strategy it is. The possibility that a customer may make negative attributions of personalization encourages us to ask this question: "Which personalization strategies minimize negative inferences of performance, benevolence, and value provision?"

By summary attributions, we maintain that the net effect of a personalization strategy is the sum of all positive and negative attributions of performance, benevolence, and value provision, which may yield either a positive increment, an equilibrium, or a negative increment of customer goodwill. The summary mechanism suggests that a personalization strategy contributes positively to service relationships if and only if it achieves a positive increment of customer goodwill. That is, personalization strategies may possibly contribute nothing to or even negatively affect service relationships if they create an equilibrium or negative increment of customer goodwill. The summary attributions obey a "positive

surplus” rule: the more capable a personalization strategy is of deriving a surplus in positive attributions on the dimensions of performance, benevolence, and value provision, the better strategy it is. For personalization strategies to be effective, positive attributions incurred must exceed negative attributions. Summary attributions prompt us to audit personalization effects by asking this question: “Which personalization strategies yield a positive surplus in the inferences of performance, benevolence, and value provision?”

The three (positive, negative, summary) types of attributions on three dimensions (performance, benevolence, and value provision) are the core of our working perspective to auditing the effects of personalization on relationship commitment. Personalization strategies that induce high positive attributions and low negative attributions create a positive increment of customer goodwill and will likely strengthen commitment. Personalization strategies that induce high negative attributions and low positive attributions create a negative increment of customer goodwill and will likely harm commitment.

Method

To get some initial understanding about how customers actually respond to strategies of technology-mediated personalization and how customer responses may affect their commitment to service relationships, we conducted exploratory interviews (McCracken, 1988; Spradley, 1979) of a purposive sample of 22 customers, a qualitative technique that has found use in services marketing literature (Bettencourt and Gwinner, 1996; Seth *et al.*, 2005; Suh *et al.*, 2006).

Informants were located through social connections as well as a recruitment email sent to the students taking marketing courses at a major Midwestern university. Before each interview, informants read and signed an IRB-approved Informed Consent Form. We also offered to pay \$7 as a thank-you token for their time to participate.

A semi-structured questionnaire was used in conducting interviews lasting an average of 50 minutes each. To make the research topic more comprehensible to our informants, we paraphrased TMP in our interviews. Informants were encouraged to talk about circumstances in which they were offered or delivered personalized products or services without having to attribute the personalization to a specific service representative. After the informant had given an account of a specific personalization practice, we proceeded to probe for more customer experience details and their actual or prospective responses. Following each interview, the researchers would meet and discuss emerging themes and allow further alteration of the interview questionnaire before proceeding to the next interview. For a list of our informants, see Table I (informants' names and other identifying information have been changed to ensure anonymity).

Each interview was tape-recorded and then transcribed to text format. We obtained a total amount of data of 275 pages or 103,917 words. In data analysis, both authors read all transcripts carefully to identify personalization cases. Each identified case was then coded into one of the three categories (interaction personalization, transaction outcome

Table I List of customer informants

Informant	Sex	Age	Length of service relationship with the firm(s)
Janet	F	> 66	1 transaction with Alibris 3 years ago. Many years with JC Penny
Betty	F	< 25	6 years with Amazon.com
Ann	F	46-55	5 years with Lancôme
Ted	M	> 66	5 years with Amazon.com
Edward	M	36-45	17 years with Major Investment Company (MI)
Tom	M	36-45	1 year with Tire Rack; 3 years with BMG Music
Kathy	F	< 25	3 to 5 years with Clinique brands
Lucy	F	< 25	6 years with Amazon.com
Sarah	F	< 25	6 years with Fastweb.com
Rose	F	> 66	10 years with Catherine's
Sam	M	< 25	2.5 years with Sprint
Nick	M	36-45	4 years with Amazon.com; 1 year with Circuit City
Andy	M	< 25	3 years with Apple's iTunes
Justin	M	26-35	0.5 year with Netflix
Ashley	F	26-35	3 years with Netflix
Jennifer	F	46-55	2 years with Netflix
Rob	M	< 25	3 years with Apple's iTunes
Nicole	F	< 25	1.5 years with TiVo
Stephanie	F	< 25	2 years with Netflix
Chris	M	< 25	3 years with Apple's iTunes
Brian	M	26-35	2 years with Apple's iTunes; 6 years with Amazon.com
David	M	26-35	4 years with Apple's iTunes

personalization, and continuity personalization). Differences in classification were settled through discussion.

For each case, an excerpt was then extracted from the interview transcripts. Excerpts were grouped according to their category. We independently read each excerpt of the categories and made judgments with reference to the three types of attributions. First, we asked three questions about positive attributions:

- 1 Did the personalization incur positive performance inferences?
- 2 Did the personalization incur positive benevolence inferences?
- 3 Did the personalization incur positive value provision inferences?

Second, three questions were asked of negative attributions:

- 1 Did the personalization incur negative performance inferences?
- 2 Did the personalization incur negative benevolence inferences?
- 3 Did the personalization incur negative value provision inferences?

Third, the summary mechanism was applied by comparing the previous two judgments to reach an estimate (positive, equilibrium, or negative): a surplus of positive attributions should lead to higher trust, relational value, satisfaction, and commitment. Comparison was made within and between personalization types to reveal patterns or regularities.

Results and propositions

Interaction personalization

Positive attributions

We observed that, in most cases, the effort to personalize interactions with a customer did not seem to affect inferences of marketer performance or value provision. However, interaction personalization seemed to have a small positive effect, mediated by benevolence inferences, which occurred during telephone conversations with service representatives. For example, when he was personally recognized by a Tire Rack service representative, Tom felt the firm made an extra effort to remember him and his business was appreciated:

They remember you whether they keep notes or whatever. But to me, that's personal service. These guys know who you are. That makes me feel good when I speak to them and they know who I am out of how many customers, you know (Tom).

Edward reported similarly positive feelings toward his service firm going an extra mile to remember him personally and make him feel special and appreciated. As a "preferred customer" of major investment company ("MI" hereafter), he had a special phone number to call:

They pick up the phone, introduce themselves, and confirm some data to make sure it is me. Just fine, and then the next thing that happens is they ask me how they can help me and we start to converse. I started to notice that they had information on me, because they would refer back to my children, my daughter, at that point in time. "I noticed that your daughter is a year and a half old and have you thought about investing for her and having a fund for her for college education? You have a goal for that. Is that account been set up?" "Yes, it has been with you guys." "It's this account. Oh, okay so you just haven't named it that and then 529 accounts came." I transferred to 529 account ... I would say it was positive [experience]; it wasn't enthusiastic, but I had no reason to not like them (Edward).

We feel that, in these cases, customers inferred benevolence out of illusions:

- The service representatives had probably not even dealt with a particular customer before, nor had they gone an extra mile to remember the customer personally. Interaction personalization was based on company records, databases, and software prompts (Pine *et al.*, 1995; Teal, 1991; Zeithaml and Bitner, 2003, p. 168), rather than on information stored in that representative's brain.
- The service firms had probably not accorded a particular customer more services, nor did their databases have to go out of the way to treat the customer specially. Interaction personalization is routine in information system-assisted communications.

For these reasons, we might temporarily call this effect "illusionary benevolence (see *P1a*)" in TMP.

Negative attributions

Personalized interactions did not seem to negatively affect inferences of marketer performance or value provision either. However, consistent with previous research (Bettencourt and Gwinner, 1996), preference for personal touch in interactions may vary among customers. For customers with high sensitivity to privacy, personalized interaction might be interpreted as imposition, a disservice, and therefore, lack of benevolence:

They call you by name like it's really personal. It's kind of an insult to personalize it as if we are really buddies and now, because I've purchased from you, we've got this relationship going. It's factitious [sic] (Janet).

Personalized interaction, when immediately followed by marketing solicitations perceived as irrelevant, might further reduce the inference of benevolence (rather than value provision) for privacy-sensitive customers:

I think it is pushy ... I don't want to be bothered with a lot of stuff on my computer at their whim when they need to sell (Janet).

Interestingly, for customers with lower sensitivity to privacy, personalized interaction did not seem to incur such negative inferences of benevolence. Nick had purchased something from Circuit City. A week later, he started receiving e-mails with personal comments directed towards him using his name throughout. He commented:

No big deal to me. I don't have a problem with that ... Do I think there is a privacy issue? Like a violation of my privacy? No, it never really gets abused, you know. I don't get spammed or anything from them. I just get an occasional advertisement, just no more than I would in regular mail (Nick).

We suspect that high privacy sensitivity might have a predominant effect on subsequent responses to interaction personalization, as evidenced among UK consumers (Evans, 2003; O'Malley *et al.*, 1997). In other words, if initial interaction personalization is seen as privacy invasion and therefore, lack of benevolence, any further personalized interactions will be automatically coded as lack of benevolence. We might temporarily call this effect a "privacy halo (see *P1b*)" in TMP.

Summary attributions

Interaction personalization might have a small effect on service relationships, mediated by inferences of benevolence, which could be positive or negative:

- P1.* Interaction personalization will have an effect on commitment, mediated by benevolence inferences.
- P1a.* Interaction personalization will have a positive effect on commitment, mediated by benevolence attributions during telephone-based customer services (the "illusionary benevolence" effect).
- P1b.* For customers of high privacy sensitivity, interaction personalization will have a negative effect on commitment, mediated by benevolence attributions (the "privacy halo" effect).

Transaction outcome personalization

Positive attributions

Value provision seemed to be a strong appeal of transaction outcome personalization that weighs heavier than personalized interactions. Consistent with existent research (Ansari and Mela, 2003; Dellaert and Stremersch, 2005), our informants appreciated product or service recommendations tailored to their requirements because they saved the time and energy to search, enjoyed the convenience of comparison, reduced information overload in decision making, and obtained higher utility in product or service outcomes. We might temporarily describe this effect as "customized value" in TMP. Kathy answered a short questionnaire at Clinique.com to determine her skin type and skin tone. Clinique.com would then narrow down product choices to two items that matched her skin type and skin tone:

I like it because it saves me time. Because I used to be real hesitant about shopping online, I would go there [store] and to just purchase one product. You could be there forty-five minutes because they would want to try all the different kinds, all the different colors, and even things that I didn't want (Kathy).

Sarah had registered at Fastweb.com to receive scholarship and job information customized to her own circumstances. Customization enabled her to access national scholarship information without expending a large amount of search time. Customized value, i.e. whether or not scholarship information matched her personal circumstances, was highly relevant in the service interactions:

The first thing that I look at (on Fastweb.com) is if they have a matching scholarship for me. So it tells me, based on all the information I put in, what scholarship they think I would be eligible for ... and I go on often just to delete the ones that I'm not interested (Sarah).

In our data, transaction outcome personalization did not seem to induce inferences of performance or benevolence. We suggest the lack of such inferences might be related to customer initiation and participation. As customers participated in personalizing their own outcomes, they might take more credit for the augmented utility and accept more responsibility for failures, rather than attributing them to marketer performance or benevolence (Meuter *et al.*, 2000).

Negative attributions

Probably for the reasons discussed above, transaction outcome personalization did not seem to incur any negative attributions on performance or benevolence either. However, customers often reported the costs or tradeoffs they must make in transaction outcome personalization. Commercial operations (e.g. Land's End) may charge a price premium for a customized option, a perceived deduction from the customized benefit. In our data, informants received e-customization services without incurring monetary charges. They suggested that the tradeoffs involved the time and energy required to specify preferences, and private information disclosure. We might temporarily refer to these tradeoffs as "customization cost" effect in TMP.

Consistent with previous conceptualization (Simonson, 2005), clearly defined preferences (e.g. matching cosmetics with one's skin type and skin tone or matching tire specifications with one's vehicle profile) tend to be less costly to specify and easier to customize to than complex, fuzzy ones (e.g. matching scholarship information to one's preferences). Kathy found it almost effortless to use Clinique.com for personalized cosmetics recommendations: she could determine her skin type and skin tone just by doing a multiple-choice questionnaire. However, Sarah must spend more time answering more questions before Fastweb.com could offer any customization. As such, customized value ought to be greater to move customers to action.

Private information disclosure seemed to be another major tradeoff. Customers with lower sensitivity to privacy might see private information disclosure less negatively and be more likely to appreciate customized value:

I know it's rambling [answering these questions], but somebody once told me that if your grandfather was a polar scuba diver that you could get a scholarship. Because there are things so random like that, I guess that's why they ask all that information because they can cover all those really unique kind of scholarships (Sarah).

Summary attributions

As customers self-selected to receive customization, they would not consummate the transaction unless perceived benefits ("customized value") exceeded costs ("customization cost"). This highlights the role of value provision in

transaction outcome personalization: its effect ought to be bigger than interaction personalization, and seemed to be solely mediated by value provision inferences. The effect might be more positive for customers with clearly defined preferences and lower privacy concerns. We propose:

- P2. Transaction outcome personalization will have an effect on commitment, mediated by value provision inferences.
- P2a. The effect will be more positive than interaction personalization.
- P2b. The effect will be greater for customers with clearly defined preferences.
- P2c. The effect will be greater for customers with lower privacy concerns.

Continuity personalization

Positive attributions

Continuity personalization involves marketer-initiated adaptive learning and customization over time. Customization across multiple service interactions seemed to facilitate making judgments of a service firm's performance, benevolence, and value provision.

We observed that marketing offers accurately customized to personal preferences seemed to boost inferences of a service firm's performance and value provision, but not of its benevolence. When BMG "figured out" his music preferences and tailored its subsequent offerings in catalogs or emails, Tom liked the additional convenience and thought it was good business:

It was exactly what I was looking for, and if I wanted to look at something else I could always go on the internet. It was actually better after they tailored it personally because it was just so much stuff coming, you know ... They were just making it more convenient for me and that's really smart (Tom).

Stephanie had been a Netflix customer for over six years and had rated 1,600 movies. She liked to be able to keep track of what movies she had seen and had not seen and how many she had seen. Rating had become her favorite aspect of the website. She got really individualized movie recommendations. She praised Netflix as "doing a good job" in offering this valuable service:

On every movie, it shows you what they think you would rate it, and they have a scale of 1-5 stars. So that will always be filled in with red stars and when you actually rate it, it becomes yellow stars. But any movie I go to, it'll say: "Oh, we think you'll give this 3.6 stars or something." But then any movie that is above 4 stars, they put this shooting star around the picture of it. And, any of the movies that I have seen with that shooting star I usually do really enjoy them, or they're movies that I've already seen and I did enjoy them. I would say it's probably at least 75 percent accurate as far as that shooting star goes ... I definitely like the feature, and I don't see any reason to change how they've done it, it is certainly something that I like and keeps me a member (Stephanie).

We also observed that, over multiple service interactions, informants inferred a service firm's personalization benevolence: did the service firm personalize its services to help customers or to help themselves? Service tendencies in personalization behavior seemed to shape subsequent inferences of benevolence and value provision, but not performance. Customer-serving tendencies boosted perceptions of benevolence and value provision of the service firm. For instance, Betty liked Amazon.com because it cared about customer experience:

They are just trying to cut off the stuff I have never bought or I would not be interested ... to specialize everything so that it just becomes more efficient. I like it. I buy most of my books on Amazon.com. It's really easy. They already know everything. They have really good prices, too (Betty).

Stephanie had read a lot of criticisms over recommendation practices of Netflix, which alerted to the issue of benevolence. However, her opinions of Netflix stayed positive:

Yeah, like I said how they maybe only recommend movies from certain studios and stuff like that. I've read a lot of things online; it's all speculation, you know, I don't know if any of its fact [sic]. But the way people think some of its setup, it's pretty interesting, but it doesn't really bother me that much (Stephanie).

Negative attributions

Customization inaccuracy seemed to incur negative inferences of marketer performance and value provision, but not of benevolence. Teddy bought some toys for his grandkids from Amazon.com five years ago:

They haven't aged the recommendations. If I get on there and go to toys, I still get toys recommend for the age my grandkids were. They are just trying to do more than they can really do (Teddy).

While previous purchases might serve as a good indicator for future purchases, real life situations might be more complex. Sloppy learning followed by poor customization produced negative inferences of performance and value provision:

Before the wedding we ordered the white drapes in there [JC Penny]. They were defective so I had to take them back. There were three transactions of their being defective, so it looks like I made all these purchases because you take them back but then you have a separate new purchase. Now I'm getting catalogs from Penney's, not general catalogs, drapery catalogs, over and over and over and over again (Janet).

In addition, it was also likely that customization accuracy might fluctuate from time to time. A series of low-accuracy customizations followed by one high-accuracy customization might induce a surge in perceptions of performance and value provision.

Self-serving tendencies seemed to decrease inferences of benevolence and value provision, but not of performance. For Janet, Alibris might be capable of good performance (quick, accurate book delivery), but it was only interested in selling more books: its personalization was "pushy" and its offers imposition (low benevolence). A service firm's self-serving tendencies might find subtle expression in many ways: a super long recommendation list, lack of explanation for making a recommendation, or inaccessibility to unbiased third-party information. Amazon.com's recommendation list diminished Teddy's perceptions of its benevolence and value provision:

They have become less useful to me. It was up to eighty on the list. It's just too many. I revised my recommendations. They take out the ones that I already own but generate new ones. Maybe they give a hundred recommendations for books (Teddy).

Ashley had been a Netflix customer for three years. She had not been skeptical about Netflix's recommendation practices. But she was certainly on the alert:

The few times I have taken the recommendations, the movies have been from different studios and with different actors and actresses in them. But they are also usually old classic movies, so they probably wouldn't be promoting those. If they're not upfront and transparent about the fact that they're promoting a movie and they're sending it to you to watch as part of some marketing package, I think that's a problem. That's an issue with the firm, because they're not really looking at the tastes of their consumers in that case. They're pushing their own agenda (Ashley).

Summary attributions

We feel that the total effect of continuity personalization on commitment might be bigger than interaction personalization or transaction outcome personalization. The effect involved the interplay of perceived customization accuracy (which we might refer to as "accuracy effect" in TMP) and service tendencies (which we might refer to as "service tendencies effect" in TMP) that incurred inferences on dimensions of performance, benevolence, and value provision. Accuracy effect could be positive or negative and seemed to be related to inferences of performance and value provision but not of benevolence. Service tendencies effect could be positive or negative and seemed to be related to inferences of benevolence and value provision but not of performance:

- P3. Continuity personalization will have an effect on commitment, mediated by inferences of performance, benevolence, and value provision.
- P3a. The effect of continuity personalization will be bigger than interaction personalization or transaction outcome personalization.
- P3b. The effect of continuity personalization is a function of the interplay of customization accuracy and service tendencies (self-serving or customer-serving).
- P3c. Accuracy affects performance and value provision but not benevolence. The effect of accuracy on commitment is more likely to be positive if customization is accurate and negative if not (the "accuracy effect")
- P3d. A firm's service tendencies affect inferences of its benevolence and value provision but not performance. The effect of service tendencies on commitment is more likely to be positive if customer-serving motivations are inferred and negative if firm-serving motivations are inferred (the "service tendencies effect")
- P3e. The accuracy effect at one specific point of time will be moderated by the number of past accurate recommendations; the fewer the number of past accurate recommendations, the stronger the positive effect at that point of time.

Discussion

Theoretical implications and future research

With rapid advances in information technology, personalization has become an increasingly affordable and popular strategy option for service firms to manage ongoing customer relationships. However, our knowledge of personalization strategies and their effects is relatively sparse. We contribute to extant research by:

- suggesting possible linkages between personalization by service representatives and personalization by technology;
- conceptualizing three categories of personalization by technology;
- developing a theoretical perspective to assessing personalization effects; and
- empirically exploring personalization effects with qualitative data. We summarized our research in Table II.

We show that personalization is not always good enhancement to service: its effects have contingencies and vary across the categories. Interaction personalization did not seem to affect

Table II Auditing the effects of technology-mediated personalization (TMP)

Attributions		Personalization		
		Interaction personalization	Transaction outcome personalization	Continuity personalization
Positive attributions	Performance inference	1. Not found	1. Not found	1. "Accuracy" effect 2. "Service tendencies" effect: not found
	Benevolence inference	1. "Illusionary benevolence" effect	2. Not found	1. "Accuracy" effect not found 2. "Service tendencies" effect
	Value provision inference	1. Not found	1. "Customized value" effect	1. "Accuracy" effect 2. "Service tendencies" effect: not found
Negative attributions	Performance inference	1. Not found	1. Not found	1. "Accuracy" effect 2. "Service tendencies" effect: not found
	Benevolence inference	1. "Privacy halo" effect	1. Not found	1. "Accuracy" effect: not found 2. "Service tendencies" effect
	Value provision inference	1. Not found	1. "Customization cost" effect	1. "Accuracy" effect 2. "Service tendencies" effect
Summary attributions		1. Interaction personalization did not seem to be related to performance or value provision 2. Interaction personalization might have an effect, mediated by benevolence inferences, which could be positive ("illusionary benevolence") or negative ("privacy halo")	1. Perceived benefits ("customized value") ought to exceed costs ("customization cost") 2. The effect seemed to be solely mediated by value provision inferences	1. The total effect of continuity personalization on commitment involved the interplay of customization accuracy and service tendencies 2. Accuracy effect could be positive or negative and seemed to be related to inferences of performance and value provision but not of benevolence 3. Service tendencies effect could be positive or negative and seemed to be related to inferences of benevolence and value provision but not of performance
Research propositions		<i>P1</i>: Interaction personalization will have an effect on commitment, mediated by benevolence inferences <i>P1a</i>: Interaction personalization will have a positive effect on commitment, mediated by benevolence attributions during telephone-based customer services (the "illusionary benevolence" effect) <i>P1b</i>: For customers of high privacy sensitivity, interaction personalization will have a negative effect on commitment, mediated by benevolence attributions (the "privacy halo" effect)	<i>P2</i>: Transaction outcome personalization will have an effect on commitment, mediated by value provision inferences <i>P2a</i>: The effect will be more positive than interaction personalization <i>P2b</i>: The effect will be greater for customers with clearly defined preferences <i>P2c</i>: The effect will be greater for customers with lower privacy concerns	<i>P3</i>: Continuity personalization will have an effect on commitment, mediated by inferences of performance, benevolence, and value provision <i>P3a</i>: The effect of continuity personalization will be bigger than interaction personalization or transaction outcome personalization <i>P3b</i>: The effect of continuity personalization is a function of the interplay of customization accuracy and service tendencies (self-serving or customer-serving) <i>P3c</i>: Accuracy affects performance and value provision but not benevolence. The effect of accuracy on commitment is more likely to be positive if customization is accurate and negative if not <i>P3d</i>: A firm's service tendencies affect inferences of its benevolence and value provision but not performance. The effect of service tendencies on commitment is more likely to be positive if customer-serving motivations are inferred and negative if firm-serving motivations are inferred <i>P3e</i>: The accuracy effect at one specific point of time will be moderated by the number of past accurate recommendations; the fewer the number of past accurate recommendations, the stronger the positive effect at that point of time

performance or value provision, but might have an effect (“illusionary benevolence” or “privacy halo”) mediated by benevolence inferences. For transaction outcome personalization, “customized value” ought to exceed “customization cost” and its effect seemed to be solely mediated by value provision inferences. The effect of continuity personalization involved the interplay of customization accuracy and service tendencies. “Accuracy” effect seems to be related to inferences of performance and value provision but not of benevolence. “Service tendencies” effect seems to be related to inferences of benevolence and value provision but not of performance. Whereas personalizing interaction and transaction outcomes may produce small positive effects on relationship commitment, continuity personalization offers a promising space for further exploration.

With the growing use of personalization strategies, their types and effects should be rigorously studied. Given the exploratory nature of this study, we focus on generating researchable propositions and future directions. First, the propositions are tentative and should be further investigated. Our study suggests that continuity personalization may be a promising area for future research. Cross-sectional and longitudinal studies can be conducted to model and test the effects of continuity personalization. Specifically:

- 1 Are accuracy and service tendencies the most important conditions for satisfaction, value, trust, and commitment to service relationships?
- 2 Is it possible that a service firm can attain sustainable competitive advantage, given its leverages in continuity personalization?

Second, we show that personalization by service personnel and personalization by technology may be related in some ways and different in others. The possibility of integrating these two types of personalization is a topic warranting further research.

Third, we allude to certain conditions that might moderate customer response to personalization. What conditions moderate acceptance to continuity personalization? We have not explored moderating conditions closely, which is yet another area for further investigation.

Managerial implications

The intuitive belief about personalization being always good is probably misleading. We believe that whether or not a certain personalization strategy helps service relationships depends on its capacity to generate positive inferences and reduce negative ones on dimensions of performance, benevolence, and value provision. Understanding and managing the contingencies of personalization is therefore a prerequisite for good personalization practices. Our research has recorded a number of observations that might be interesting in the context of a particular manager's business.

First, personalizing interactions with names and other personal details probably does not enhance your performance image in the customer's eyes, nor is it likely to enhance the perception of your firm's value. Surprisingly, personalized interactions involving service personnel may cause customers to see your businesses as more benevolent – treating customers with respect and concerns for their outcomes – even when you offer them no additional services (the positive “illusionary benevolence” effect). However, privacy must be

carefully handled to avoid the impression of intrusions on privacy, which may poison everything else you personalize (the negative “privacy halo” effect).

Second, if your business is personalizing outcomes of a product or a service, you must ensure that “customized value” will be delivered at minimal “customization cost” so that the benefit-cost balance is “in the black” and your customers do not find the process too cumbersome. Customer segments with clearly defined preferences and low privacy concerns may be your likely targets. Because of their participation and effort in the customization process, customers may not see your company as a high performer or as more benevolent than other companies, but their perceptions of value provided will probably rise. Thus, there is a greater chance of a second transaction, if the customer needs one.

Third, one-to-one learning and customization, if well implemented, offers a promising strategic option for managing ongoing customer relationships. It may have a stronger effect because it simultaneously affects customers' perceptions of performance, benevolence, and value provision. This kind of “continuity” personalization – learning about a customer over time and delivering personalized products, services, and recommendations based on that learning – is difficult to achieve in practice. It requires an excellent customer database and excellent analytic services. Furthermore, customers' preferences may diverge from what your models predict, and recommending or providing products and services that do not accurately meet customer needs may risk their perceptions of the relationship as valuable and trustworthy. We suggest, on the basis of our observation, that:

- offering too many recommendations may signal lack of performance or value provision;
- accuracy can be improved by monitoring and updating recommendations, adjusting statistical models, incorporating learning from past behavior and customer collaboration; and
- customers may be directly asked for feedback on accuracy.

If accuracy persistently falls below a threshold level, ask for customer permission to suspend the service. That said, if you can make continuity personalization happen, the rewards should be well worth it. A customer who believes he or she is understood and has his or her needs anticipated (barring privacy concerns) should become very committed and very hard to switch away by competitors.

Regardless of the type of personalization employed, perceived benevolence must be managed. The perception of benevolence is critical to relationships, and its opposite, perceived opportunism by the firm, is deadly. We suggest that:

- one should have the right intentions: customers often desire a relationship with a service provider, but are understandably concerned about both privacy and the benevolent intentions of the firm; and
- service providers must send signals of integrity and benevolence in all they do.

TMP is no exception. Customer data must be safeguarded and communications must not be over-familiar for the stage of the relationship.

More importantly, the timing and nature of personalization must be made with sensitivity to the customer. Many companies greatly over-use the customer's e-mail address, for example, to send offers, sometimes personalized,

sometimes not. Bombarding the customer with offers that reflect an inaccurate understanding of his or her needs and wants may well lead to perceptions of opportunism, and be self-defeating. It sends the message that the service provider now “has” the customer and intends to “milk” him or her. Rather, to appear benevolent in personalizing offers, one must build accurate offer-acceptance prediction models (based on tests, where possible, and analyses using logistic regressions or neural nets) and send unsolicited recommendations only when the probability of purchase is high.

Service providers are often in a unique position to learn about the customer from repeated interactions. Each interaction is an opportunity to discover more about the customer's needs, preference, and goals, and to use that knowledge to provide personalized service in ways that a competitor would never think of. Each successful personalization should lead to greater customer perceptions of value, performance quality, and benevolence. These are the building blocks of a good relationship and customer loyalty.

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Corresponding author

Anyuan Shen can be contacted at: shena@newpaltz.edu

Executive summary and implications for managers and executives

This summary has been provided to allow managers and executives a rapid appreciation of the content of the article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.

When you phone a service company of which you have previously been a customer – anything from buying tires to a digital TV recording facility, from choosing cosmetics to searching for a suitable college scholarship – it is probable that the person you speak to will already know something about you. If you buy books or music from an internet site, you are likely to get e-mails recommending other books or music that might suit your taste.

We are getting used to this "personalization" of services, and it is no wonder companies pursue the practice as a way of retaining customers. But does it give customers the same "warm" feeling that they may get if they walk into a local store or restaurant and the staff recognize them and greet them by name? Having a customer service employee ask about your family because he has actually heard you talk about them, and is genuinely interested, is not quite the same as a customer service employee who you have never spoken to before asking you personal questions because he has got lots of information about you stored on a database and it is now up on his screen.

Does it matter? After all, we are hardly being fooled. Few will be under the illusion that the person in this situation actually knows you. But is it a good thing or a bad thing? That is something service providers really need to know. In their paper "Is personalization of services always a good thing? Exploring the role of technology-mediated personalization (TMP) in service relationships", Anyuan Shen and A. Dwayne Ball explore the question within the context of the burgeoning area of technology-mediated personalization (TMP) – personalizing customer interactions and service offerings through information technology such as customer databases and applications software – and its effects on service

relationship. They suggest that the effects of this type of service personalization may be more complex than previously thought and that the intuitive belief about personalization being always good is probably misleading.

Whether or not a certain personalization strategy helps service relationships depends on its capacity to generate positive inferences and reduce negative ones on dimensions of performance, benevolence, and value provision. Understanding and managing the contingencies of personalization is therefore a prerequisite for good personalization practices.

The study found that personalizing interactions with names and other personal details probably does not enhance your performance image in the customer's eyes, nor is it likely to enhance the perception of your firm's value. Furthermore, privacy must be carefully handled to avoid the impression of intrusiveness that may poison everything else you personalize.

If your business is personalizing outcomes of a product or a service, you must ensure that "customized value" will be delivered at minimal "customization cost" so that the benefit-cost balance is "in the black" and your customers do not find the process too cumbersome. Customer segments with clearly defined preferences and low privacy concerns may be your likely targets.

One-to-one learning and customization, if well implemented, offers a promising strategic option for managing ongoing customer relationships. It may have a stronger effect because it simultaneously affects customers' perceptions of performance, benevolence, and value provision. This kind of "continuity" personalization – learning about a customer over time and delivering personalized products, services, and recommendations based on that learning – is difficult to achieve in practice. It requires an excellent customer database and excellent analytic services.

Also, customers' preferences may diverge from what your models predict, and recommending or providing products and services that do not accurately meet customer needs may risk their perceptions of the relationship as valuable and trustworthy:

- Offering too many recommendations may signal lack of performance or value provision.
- Accuracy can be improved by monitoring and updating recommendations, adjusting statistical models, incorporating learning from past behavior and customer collaboration.
- Customers may be directly asked for feedback on accuracy. If accuracy persistently falls below a threshold level, ask for customer permission to suspend the service.

That said, if you can make continuity personalization happen, the rewards should be well worth it. A customer who believes he or she is understood and has his or her needs anticipated (barring privacy concerns) should become very committed and very hard to switch away by competitors.

The timing and nature of personalization must be made with sensitivity to the customer. Many companies greatly overuse the customer's e-mail address, for example, to send offers, sometimes personalized, sometimes not. Bombarding the customer with offers that reflect an inaccurate understanding of his or her needs and wants may well lead to perceptions of opportunism, and be self-defeating. It sends the message that the service provider now "has" the customer and intends to "milk" him or her.

(A précis of the article "Is personalization of services always a good thing? Exploring the role of technology-mediated personalization (TMP) in service relationships". Supplied by Marketing Consultants for Emerald.)

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