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Predictability and Personalization in the Service Encounter

Service marketers are confronted with two conflicting goals when designing service delivery systems, efficiency and personalization. The relative importance of each factor is determined by the nature of the specific service to be rendered, and by participants' expectations about degree of personalization. A study was conducted to test two assertions: (1) service personalization is a multidimensional construct and (2) all forms of personalization do not necessarily result in greater consumer satisfaction with the service offering. Three types of personalization strategies were proposed and operationalized in a simulated banking setting. Evaluations of service encounters that differed in the degree and type of personalization employed indicate that personalization is not a unitary phenomenon and must be approached carefully in the context of service design.

SERVICE marketers often face a dilemma: How does one provide efficient, standardized service at some acceptable level of quality while simultaneously treating each customer as a unique person? The customer may face a similar conflict. Though most people prefer to be treated as an individual instead of as a "number" by service personnel, they would not want the efficiency and predictability of a service to be jeopardized by a personalization strategy.

The Construct of Personalization

Giving "good service" is a major concern of all service organizations. "Good service" often is translated as more personalized service, leading to a contest to determine which service outlet can be the friendliest to the customer. The bluntness of standardization is assumed to be softened when, for example, the service provider tells the customer to have a nice day.

There appears to be consensus among service pro-

viders that personal service is something their customers *want*, but little consensus about just what personal service *means*. In many cases it seems to mean a smile, eye contact, and a friendly greeting. In other cases it means offering to customize the basic service to suit the customer's needs or tastes. It may mean spending time with the customer, or it may mean offering advice, making small talk, or taking a personal interest in the customer.

Which, if any, of these strategies represents personalized service? With so many different interpretations of what personalized service means, there is considerable disagreement about the effects of personalization on such outcomes as service evaluation, repeat purchase, and affect. Services that have operationalized the construct in different ways could be expected to observe different results. However, without a clear understanding of what it means to offer "personal service," assessing the effectiveness of personalization as an element in the service mix is difficult if not impossible.

In an empirical context, we investigate the soundness of the conventional wisdom that personalized service is better service. This issue is examined by manipulating the type and degree of personalization present in a simulated exchange between a service provider and a customer in a bank setting.

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The Service Encounter

In a broad sense, "personalized service" refers to any behaviors occurring in the interaction intended to contribute to the individuation of the customer. That is, the "customer" role is embellished in the encounter through specific recognition of the customer's uniqueness as an individual over and above his/her status as an anonymous service recipient. This definition highlights the centrality of the service encounter to the consumer's ultimate satisfaction with a particular service. The service encounter is the dyadic interaction between a customer and a service provider. The nature of this interaction has been recognized to be a critical determinant of satisfaction with the service (cf. Czepiel et al. 1985). Though the service provider is typically the very last link in the chain of production and is, ironically, often the least-valued member of the service organization in terms of status and pay, this person is invested with enormous responsibility for conveying the "personality" of the service offering to the consumer. In many cases, this person epitomizes or defines the service to the consumer (Booms and Nyquist 1981).

Because in person-to-person service delivery situations the service provider often *is* the service to the customer, we might anticipate multiple effects from changes in the amount and type of personalization used. Evaluation of the service provider clearly would be affected. Liking or affect should change, as well as perceptions of competence or ability. Moreover, because the service provider is inseparable from the service, perceptions of the institution and overall satisfaction with the service also would be affected by changes in personalization strategies.

Role Expectations

Actors enter many service encounters with a common "service script" (cf. Grove and Fisk 1983; Smith and Houston 1983; Solomon et al. 1985). A significant determinant of satisfaction with a service encounter is the degree to which it is congruent with role expectations contained in this script. Indeed, satisfaction has been defined as a function of the discrepancy between expectations and performance (Churchill and Surprenant 1982). One recent study documenting "critical" communications exchanges in service encounters (i.e., exchanges most likely to create friction and dissatisfaction) found that 75% of all incidents could be traced to customer expectations that exceeded the capacity of service delivery systems (Nyquist, Bitner, and Booms 1985).

Depending on structural dimensions of the encounter, expectations about the degree of formalization will vary (Czepiel et al. 1985). In some cases each party expects the service to be uniquely tailored to the needs of the client. This understanding is com-

mon in high-contact services, where the customer is, in effect, paying for individualized attention (e.g., law, medicine, haircutting). In other situations it is understood that, to receive service promptly and efficiently, the customer must agree to relinquish temporarily the right to be treated as an individual with specialized needs. In fact, it is not clear that any significant cognitive activity occurs during most service transactions or other types of routine daily activities. Like actors in a long-running play, people in familiar situations often interact by rote with little conscious attention at the time and even less recall later. This tendency has been termed "mindlessness;" a person interacts passively with the environment with a minimum of cognitive activity (Langer 1978). Mindlessness enables the customer to decrease the amount of cognitive effort expended in performing routine tasks thus to increase efficiency. In one study of postpurchase evaluation, more than half of the subjects could not recall forming opinions about a product they had purchased (Swan and Trawick 1978).

In general, agreement is required between parties about the nature of the roles to be played. Lack of clarity is likely to reduce the efficiency of performance, as each member must expend effort to make sense of the other's unexpected behavior. This phenomenon was demonstrated clearly in early group dynamics studies, where an unclear group structure impeded group performance (Smith 1957; Torrance 1954).

The degree to which a service is capable of being tailored to meet the idiosyncratic needs of the consumer is a major issue in service design, as well as a key attribute emphasized in promotion of many services (e.g., Burger King's "Have it your way"). However, customization is expensive and it also forces the service business to relinquish some control over service delivery to the customer. As Chase (1978) has noted, operating efficiency tends to be related inversely to the degree of customer contact required by the system. Managerially, one would want a consumer to be a "good customer"—to perform the precise behaviors required to order and take delivery of the service and not make extraneous demands that require special treatment.

The role definitions within a service setting, then, dictate the amount of personalization expected (though not necessarily the way in which personalization will be implemented). When the service is highly formalized and the customer has learned appropriate role behaviors, little personalization will be anticipated. Increasing personalization would be contrary to expectations, and the need to focus one's concentration on the routine service encounter might disrupt the smooth functioning of the service process. Thus, the effects of personalization depend on such factors as

the nature of the service being delivered, behaviors included in the role script, and the particular personalization strategy implemented.

Implementing Personalization Strategies

A Tripartite Approach to Service Personalization

In a recent study of dimensions of service quality, Parasuraman, Zeithaml, and Berry (1984) identified 10 determinants of perceived quality through a series of focus groups. Three of these components related to the person-to-person delivery of the service—that is, the interactive process, the experience we term the “service encounter.” The dimensions of courtesy, communication, and understanding they describe parallel the alternative ways personalization is defined and operationalized in our study. These approaches to personalization also correspond to strategies that appear to be used by many businesses. The three dimensions we use are derived from both the recent empirical work of Parasuraman and his coworkers and our own observations about the possible ways to personalize a service. Our study is the first attempt to disaggregate this construct, and these three dimensions appear to have face validity. However, no claim is made about the exhaustiveness of these dimensions.

Our three ways of conceptualizing and implementing personalization are option personalization, programmed personalization, and customized personalization—each with different consequences for evaluations of service quality. The first is directed toward personalizing the *outcome* of the service. The latter two focus on personalizing the interactive *process* of obtaining the service.

The three dimensions used by Parasuraman and his coworkers do not correspond exactly to the manipulations used in our study, though they are roughly analogous. Courtesy includes both politeness and friendliness. Politeness was not manipulated because no realistic business strategy would mandate impolite behavior. Friendliness, however, is a tactic that can increase individualization, moving the transaction from the formal business realm to a more personal level. This dimension is incorporated in programmed personalization. Communication includes informing customers in language they can understand. It increases personalization by recognizing the customer as an individual and is most analogous to customized personalization. Understanding is defined as learning the customer's needs and providing individual attention. Because one interpretation of this dimension is that alternative offers would be designed to meet customers' needs, it corresponds to option personalization.

Outcome Personalization

Option personalization. Probably the most common method of personalizing a service is to allow the consumer to choose from a set of service possibilities. A focus on the service outcome creates personalization by providing a menu of alternatives from which the customer can choose the option best suited to his or her specific needs. Some services allow for wide variations in the basic service offering, but others are characterized by *formalization*—high standardization, routinization, or codification with limited opportunities for option personalization (cf. Bell 1981; Brown and Fern 1981; Czepiel et al. 1985; Kelley and George 1980; Lovelock 1983). Even highly formalized service businesses, however, can provide some degree of option personalization.

Examples of option personalization include Burger King's license to “have it your way” and the current trend of offering “cafeteria-style” health benefits to employees, from which each person selects his or her own unique combination of benefits from the total set offered. Thus, perceived personalization and satisfaction may increase as the number of ways the service can be delivered—at the discretion of the consumer—increases, giving the consumer greater control over the final form of the offering.

Offering the customer alternatives or choices within the service setting increases decisional control. As recently noted by Bateson (1985), problems in the service encounter often are due to conflicts about who is in control of the interaction—both the provider and the customer have a need for control. Role definitions operative within a particular service setting will dictate the amount of control each participant may claim. The ideal encounter should balance the needs for control of both parties, but this aim unfortunately conflicts with the need to maintain operating efficiencies. Also, as more options become available, complexity increases and greater cognitive effort is required.

In situations where choice optimization is the goal, greater option personalization should contribute to the customer's perception of having chosen the best or right service, and thus lead to greater satisfaction. Conversely, for routine services where satisficing is the goal, greater option personalization may have no impact on satisfaction and may in fact cause irritation. To the extent that providing more options forces the customer to exert cognitive effort in a situation where such exertion is not desired, satisfaction may be adversely affected. Bateson notes that one possible compromise is a focus on *cognitive control*, whereby information is provided about the *predictability* of an event (i.e., the outcome of the event itself is not altered). This observation supports our argument that under some conditions predictability is more integral

to consumer satisfaction than is personalization—it increases cognitive control, minimizes risk, and reduces cognitive effort.

Option personalization gives the customer some degree of decisional control and the opportunity to choose at least some of the features constituting the offering. Though complexity increases and predictability decreases, evaluations should become more positive if the options offered increase the desirability of the service. Hence,

- H₁: Option personalization will positively affect satisfaction and evaluations of the service organization.

Process Personalization

Two other personalization strategies focus on the way the service is rendered, because service quality is affected by processes as well as outcomes (cf. Lehtinen and Lehtinen 1982; Parasuraman, Zeithaml, and Berry 1984). In many service businesses, personalization is implemented by concentrating on the way individual service providers interact with their customers. This approach can be partitioned further into tactics that concentrate on *pro forma* modes of personalization (programmed personalization) and those entailing actual differences in treatment by service providers (customized personalization).

Programmed personalization. One common strategy is to give the impression of personalized service by encouraging small talk, using customers' names, and so on. It often is accomplished by the embellishment of routinized actions with personal referents to make each person feel like an individual, not "just another customer." This tactic may be disruptive if it forces the customer to respond in kind. In the case of simple services, the customer must expend more cognitive effort than is desired and the predictability of the service experience is diminished. As a result, processing costs are increased.

Thus, for services that are highly routinized and well scripted, personalization *beyond* simple courtesy is predicted to decrease predictability and increase cognitive effort, because a high level of personalization is not part of the customer's role script. This outcome is most likely when the personalization strategy used does not contribute to the differentiation of the service offering, but instead is a *pro forma* approach (i.e., a programmed personalization strategy). Hence,

- H₂: Greater programmed personalization will not increase satisfaction.
- If option personalization is low, programmed personalization will have positive effects only on affect for the service provider.
 - If option personalization is high, pro-

grammed personalization will have negative effects on affect for the provider and satisfaction with the service.

Customized personalization. In contrast to an emphasis on *pro forma* courtesy, customized personalization is based on the desire to assist the customer in attaining the best possible form of the service offering for his or her needs. This type of personalization, like programmed personalization, decreases predictability and increases cognitive effort. However, when combined with option personalization, this type of advice and attention may increase the customer's confidence that he/she has obtained the best alternative, one designed to suit his or her unique needs. In a sense, the service provider acts as a consumer advocate, dispensing advice after a customized assessment of the consumer's life situation. This type of individualized attention is given (in theory) by real estate brokers, tax consultants, physicians, therapists, and other high-contact service providers.

Customized personalization increases individualization by attending to the unique needs of the customer and providing helpful advice. Decreased predictability and increased cognitive effort are offset by increased confidence, particularly when the available service options are complex and/or numerous. Hence,

- H₃: Customized personalization will have positive effects on provider evaluations, service ratings, and satisfaction.
- If option personalization is low, customized personalization will have only slight positive effects on provider evaluations and no effect on satisfaction.
 - If option personalization is high, customized personalization will have positive effects on both provider evaluations and satisfaction.

Method

In an attempt to weigh the relative effectiveness of alternate personalization strategies on consumer evaluations of a service, a laboratory study was designed to simulate relevant characteristics of a bank setting. Predicted relationships between personalization and service evaluation led to the manipulation of the three types of personalization in a completely crossed factorial design. Subjects were 150 undergraduate business students at a large urban university who participated on a voluntary basis.

Procedure

Design. The experiment was a 2 × 2 × 2 factorial design with two levels each (low/high) of (1) option

personalization, (2) programmed personalization, and (3) customized personalization. Eight separate taped versions of a bank platform officer assisting a customer were produced to correspond to the eight-cell design. A bank setting was employed for several reasons.

1. The banking industry currently is concerned with maintaining and enhancing service quality in the face of consumer disgruntlement and the evolution of ATMs.
2. The variety of services performed within a bank setting differ in complexity and in both provider and customer involvement. Counter operations, when abstracted according to role demands, closely resemble other routine services such as airline ticketing or even fast food. In contrast, such platform services as loan approval and the selling of investment instruments require high-contact personnel who must maintain flexibility; in the abstract, these duties resemble high-contact sales/counseling jobs in disparate industries. As has been argued elsewhere, findings related to role demands within one industry can be generalized to some degree across industries that entail similar dimensions of service delivery (cf. Solomon et al. 1985).
3. Bank personnel tend to be evaluated by such objective performance criteria as how well they "prove out" at the end of the day, rather than by the quality of service they render (Schneider 1980).
4. The proliferation of banking services, coupled with competition from nonbank sources, indicates a growing need to coordinate cross-selling activities.
5. Pretesting indicated that, in comparison with several other service situations, this particular service environment had a high degree of familiarity among subjects.

Cover story. Subjects were told that recently a number of service encounters representing a range of service businesses had been recorded at various establishments in the area. The experimenters were interested in how well the subjects could predict the level of satisfaction experienced by the customers heard in the exchanges (i.e., how much empathy the subjects had). For this reason, the customers' side of the conversations had been deleted from the tapes; subjects were instructed to imagine that *they* were the customers. The subjects were told a variety of services had been taped and the actual encounter heard by each person would be selected at random—it might take place in a bank, dry cleaner, clothing store, etc. After

listening to the tape, subjects would be asked for their impressions of the service provider, service quality, and other related impressions of the experience.

Experimental task. After completing preliminary forms that assessed prior service experience and expectations and some demographic data, all subjects heard a transaction involving the opening of a checking account at a bank. Subjects were run in non-interacting groups of six to eight; each subject wore a set of headphones connected to one of eight tape recorders. This technique permitted all tape conditions to be run simultaneously within each experimental session.

In all conditions, the bank employee was played by the same male actor, who described the checking plans available and helped the customer to make a choice. To aid subject identification with the simulation, the customer was referred to by the androgynous name of Chris. Each taped transaction lasted approximately 5 minutes; all versions offering the same number of options contained the same amount of task-related information.

Methodological considerations. As in any controlled laboratory experiment, it was necessary to give up a degree of external validity to minimize extraneous sources of "noise" in the data. Thus, the research strategy was to include only those elements of service delivery that were operationalized as independent variables. For example, though visual stimuli are clearly important in person perception, they are much more difficult for the service organization to control. Thus, the study involved only verbal elements of personalization.

Role-playing has been used in laboratory settings for many years (cf. Aronson and Carlsmith 1968; Bem 1967; Brown 1962; Festinger and Carlsmith 1959; Greenberg 1967; Kelman 1966). Though the use of this technique as a substitute for other methods (especially those involving deception) has been controversial (cf. Freedman 1969), the effectiveness of such simulations has been documented (cf. especially Janis and Mann 1965). The principal disadvantages of a role-playing method are possible lack of subject involvement and contamination due to demand effects. Efforts to assess demand effects are reported in the Analysis section. In choosing role-playing, we sought to maintain an acceptable level of subject involvement while circumventing the possible contamination effects and logistical difficulties involved in actually placing subjects in a bank environment.

Independent Variables

Option personalization. In the low option personalization manipulation, subjects were offered the choice of two checking plans. The regular checking account

had no fee with a minimum monthly balance and no check charge. The other checking account had a monthly maintenance charge and a 15-cent charge per check but no minimum balance.

Greater flexibility was offered in the high condition by the addition of a third option, a NOW type of account. With this option interest was paid on the account balance and there was no maintenance fee or check charge, but the number of checks that could be written was limited.

Programmed personalization. This variable was operationalized as the amount of *pro forma* small talk engaged in by the bank officer. Admonishments to have a nice day, comments on the weather, and other nonfunctional comments were included in the high condition. These remarks were interspersed throughout the encounter.

Customized personalization. In contrast to the bank officer in the programmed personalization manipulation, who conveyed personal attention through *pro forma* and extraneous comments, the one in the high customized personalization condition directed the offering to the customer's individual needs. All impersonal pronouns were replaced with personal pronouns, the customer's name was used, and his/her opinions and reactions to the offerings were solicited. Questions were asked in all conditions, but in the high customized personalization condition the service provider appeared to use the responses to direct the offer and to make a personal recommendation.

Dependent Variables

The questionnaire consisted of two major sections. Part I was administered prior to the experiment and consisted of a measure of service expectations and familiarity with a variety of services. Demographic variables also were measured at this time.

Part II was administered immediately after subjects had listened to an experimental tape and consisted of five sets of questions. The first set served as a manipulation check for the three independent variables. Subjects were asked to rate the transaction they had heard in terms of choice difficulty (option personalization), ratio of task to nontask information (programmed personalization), and individualized treatment (customized personalization).

The dependent variables were developed by using standard psychometric procedures. First, the service literature was examined for relevant constructs. Gronroos (1982) has identified two distinct facets of service businesses that should be measured, technical quality (i.e., what is being delivered) and functional quality (i.e., the way in which it is being delivered). Similar distinctions have been made by Parasuraman, Zeithaml, and Berry (1984) and Sheth (1975).

This examination led to the development of items measuring three principal constructs: evaluation of the service provider, evaluation of the service organization, and satisfaction with the service. As subjects received no tangible object, technical quality was defined in terms of the attributes of the core service (e.g., interest-bearing checking).

Of the 10 service quality dimensions proposed by Parasuraman, Zeithaml, and Berry (1984), six relate to performance criteria: reliability, responsiveness, competence, access, security, and tangibles. The remaining four dimensions, courtesy, communication, credibility, and understanding the customer, arise more directly from the personalized aspects of the encounter. Adjectives comprising the evaluation scales were designed to tap all of these dimensions except access, security, and tangibles, because subjects had no basis on which to evaluate those three factors within the experimental situation.

Using a semantic differential format, subjects rated the bank employee on a set of 18 bipolar adjectives. The bank evaluation scale consisted of eight bipolar adjectives selected after pretesting. Satisfaction with the encounter was measured on a 7-point scale ranging from "completely satisfied" to "completely dissatisfied." The final section consisted of single-item measures of repatronage intention, satisfaction, and overall evaluation of the service.

Analysis

Manipulation Checks

Manipulation checks indicated that all three manipulations were successful. One-way analysis of variance results (Table 1) showed a significant effect for each of the independent variables and no overlap between groups. Moreover, the treatments were not overlapping. An examination of programmed personalization scores within the other two treatments showed no significant differences between groups. Similar results were found for both option and customized personalization scores.

Multi-item scales measuring the dependent variables showed adequate reliability on the basis of Cronbach's alpha. Scales measuring employee evaluations, bank evaluations, and satisfaction had alpha values of .87, .71, and .95, respectively.

As a role-playing method was used, efforts were made to check for demand effects. Most students believed they were being tested on their ability to recall product attributes. Moreover, one item in the provider evaluation scale—"sincerity"—provided a reasonable check on the believability of the service provider. For all three manipulations, there was no difference between groups on ratings of provider sincerity; mean

TABLE 1
Cell Means and F-Values for
Personalization Manipulations

Manipulation	Low Condition	High Condition	F ^a
Option personalization	7.97 ^b	10.09	11.74
Programmed personalization	64.24 ^c	84.64	55.28
Customized personalization	16.30 ^d	20.71	27.51

^aAll F-values are significant at $p < .001$.

^bMean score on three measures combined. Single measures used separately produced similar results. Measures assessed difficulty of making a choice (easy/hard and simple/complicated) and how many things to consider (few/many). Values could range from 3 to 21.

^cAverage proportion of nonbusiness conversation. Values could range from 0 to 100%.

^dMean score on four measures combined. Single measures used separately produced similar results. Specific items were in the form of 7-point scales and included (1) treated like a person (agree/disagree), (2) recognize you next time (likely/unlikely), (3) recall your name (likely/unlikely), and (4) employee interested in bank vs. customer. Mean score could range from 4 to 28.

ratings were approximately 4 on a 7-point scale. Though this score indicates only "average" believability, it does provide evidence that subjects found all treatments equally plausible.

Scale Purification

Factor analyses. Despite reasonably high alpha values when the scales were treated unidimensionally, each of the scales was factor analyzed. We hypothesized that there was a tradeoff between personalization and efficiency, and that satisfaction and evaluation judgments would include both of these elements. If, in fact, such a tradeoff occurred, increased personalization would differentially affect ratings on the underlying dimensions. Moreover, if personalization were a multidimensional construct, this characteristic should be reflected in the factor structure.

Factor analysis of the employee rating scale revealed three significant dimensions accounting for 60% of the variance (Table 2). The first factor to emerge related to the employee's ability to perform the task, or competence. Adjectives loading highly on this factor include "capable," "efficient," "organized," "thorough," and "responsible." Factor 2 tapped the dimension of helpfulness and courtesy with such adjectives as "sincere," "caring," and "considerate" loading heavily. Factor 3 was labeled "sociability" because the only variables loading heavily were informality, sociability, and talkativeness. It was also the least important factor, accounting for only 6% of the variance. Hence, employees were evaluated on three dimensions—competence, helpfulness, and sociability.

TABLE 2
Factor Loadings for Evaluations of Service
Provider

Trait Adjective ^a	Factor		
	Competence	Helpfulness	Sociability
Capable	.58		
Efficient	.60		
Organized	.68		
Thorough	.74		
Responsible	.67		
Sincere		.57	
Caring		.75	
Considerate		.73	
Formal			.68
Sociable			.83
Talkative			.80
% variance explained	34	20	6

^aAll trait adjectives were assessed via 7-point Likert scales.

As anticipated, the bank evaluation scale could be factored into two dimensions. A warmth dimension consisted of such variables as friendliness and caring and a trust dimension was based on reliability (Table 3). Bank evaluations were based on impressions formed from the bank officer during the transaction and the information contained in the design of the service offered. Though subjects had no tangible evidence on which to base evaluations, nor were they told the bank's name, they did form an image of the bank during the transaction.

Factoring the satisfaction scale produced three dimensions accounting for 77% of the variance (Table 4). The first two factors captured dimensions of the provider's behavior (effectiveness and friendliness). These two factors reflected the first two dimensions of the employee evaluation scale. Correlations of employee competence and helpfulness ratings with the satisfaction scores related to these issues were .50 and .64, respectively. The third factor in the satisfaction scale measured satisfaction with the offer itself (primarily the choices available), and accounted for approximately 10% of the variance explained. Though

TABLE 3
Factor Loadings for Bank Evaluations

Trait Adjective ^a	Factor	
	Warmth	Trust
Friendly	.84	
Indifferent	.67	
Caring	.74	
Formal	.80	
Reliable		.80
Responsible		.51
% variance explained	40	27

^aAll trait adjectives were assessed via 7-point Likert scales.

intuitively the core service offering would be expected to account for more of the satisfaction variance, checking accounts tend to be fairly standard across banks; determinants of satisfaction therefore may depend more on how the service is delivered.

New dependent variables were formed on the basis of the factor scores. The employee was evaluated on three dimensions: competence, helpfulness, and sociability. The bank was evaluated on the dimensions of warmth and trust, and satisfaction was measured as satisfaction with the employee's effectiveness and friendliness plus satisfaction with the offering to tap both outcome and process variables. As examination of the correlation matrix showed several of the dependent variables to be intercorrelated, MANOVA was used to analyze the data. Table 5 gives the effects of the different forms of personalization on the new dependent measures.

Tests of Hypotheses

H₁. Option personalization was expected to have a positive effect on satisfaction and evaluations of the service organization. The relevant dependent measures are warmth, trust, and satisfaction with the offer. Results indicate that option personalization affected only trust in the bank and satisfaction with the offering. As the available options increased, both trust in the bank and satisfaction with the offering also increased.

In contrast, this dimension of personalization is clearly independent of the employee's efforts, and thus has no impact on any employee evaluation scales. This result is not especially surprising because the complexity of the service is outside the control of the employee and may be more important in ratings of the service establishment itself. Moreover, because elaboration of the offering was minimal, it is conceivable that the manipulation succeeded in creating two levels of option personalization (as indicated by the successful manipulation check), but these two levels can

TABLE 4
Factor Loadings for Satisfaction

Rating Scale ^a	Factor		
	Provider Competence	Provider Friendliness	Offer
Time taken	.73		
Efficiency	.82		
Professionalism	.71		
Treatment		.73	
Friendliness		.88	
Helpfulness		.76	
Choices available			.81
% variance explained	56.5	11.0	9.8

^aAll measures assessed via 7-point Likert scales.

TABLE 5
F-Tests for Effects of Personalization Manipulation^a

Dependent Measures	Personalization		
	Programmed	Customized	Option
Employee Evaluations			
Competence	7.26 ^b	.93	1.08
Helpfulness	.82	9.51	.01
Sociability	84.73 ^b	5.18	.12
Multivariate F	57.45 ^b	3.27	1.35
Bank Evaluations			
Warmth	34.44 ^b	20.11 ^b	.01
Trust	7.18 ^b	.11	8.37 ^b
Multivariate F	20.05 ^b	10.57 ^b	4.63 ^b
Satisfaction			
Effectiveness	11.04 ^b	.67	1.18
Friendliness	4.73 ^b	4.13 ^b	.08
Offering	.19	.19	12.27 ^b
Multivariate F	15.01 ^b	4.29 ^b	4.38 ^b

^aInteraction effects were nonsignificant and not reported.

^b*p* < .05.

be regarded as low and high only in a relative sense. The manipulation may not have been completely successful in creating a sufficiently high level of option personalization.

H₂. Programmed personalization was expected to have little effect on evaluations and to interact with option personalization. Contrary to the hypotheses, programmed personalization exerted strong effects on all three types of evaluation measures—evaluations of the employee, the bank, and satisfaction. It affected evaluations of employee competence and sociability, bank warmth and trust, and satisfaction with employee effectiveness and friendliness. Only evaluations of employee helpfulness and satisfaction with the offer were not affected by this manipulation. Evaluations of employee sociability and bank warmth were affected most strongly, with subjects in the high programmed personalization condition giving much more positive evaluations than those in the low condition. Satisfaction with friendliness also increased as programmed personalization increased.

However, the effect of programmed personalization on the other three dependent measures (competence, trust, and satisfaction with effectiveness) was *negative*. That is, as more nontask information was included by the employee, evaluations of the employee's competence, the bank's trustworthiness, and satisfaction with effectiveness decreased. Beyond simple courtesy, efforts to treat the customer as an individual outside the customer role resulted in lower evaluations of both the employee's competence and the bank's trustworthiness. This finding is particularly important because these three dimensions were the most important factors in each of the evaluation scales. Those

dimensions positively affected by programmed personalization (sociability, bank warmth, and satisfaction with friendliness) were the *least* important factors—they accounted for only 6% of the variation in employee evaluations, 27% of the variation in bank evaluations, and 11% of the variance in satisfaction.

We anticipated that programmed personalization would produce negative effects when option personalization is high. No significant interaction with option personalization was obtained. For *both* low and high option personalization, increased programmed personalization produced *negative* effects on judgments of employee competence, bank trust, and satisfaction with the employee's effectiveness.

These findings suggest that differentiation strategies relying on unabashed friendliness may not be universally attractive, particularly if they violate expectations. Though programmed personalization did have a positive impact on ratings of sociability, that factor proved to be the least important component during the evaluation process. This "canned" approach to personalization seems to reduce the consumer's confidence in the employee's abilities; such attribution is made independently of his/her "niceness."

H₃. We anticipated that customized personalization would have positive effects on all dependent measures and that the effects would be greater when option personalization was high. In line with predictions, customized personalization had uniformly positive effects on evaluations. However, only employee helpfulness and sociability and bank warmth were affected positively by this variable. The effect on satisfaction was significant only for the friendliness measure.

There are no significant interactions between customized personalization and option personalization. Only one interaction approaches significance, the effect on satisfaction with effectiveness ($p = .058$). In the low option personalization condition, satisfaction with effectiveness was not affected as customized personalization increased. In the high option personalization condition, increasing customized personalization *decreased* satisfaction with competence. The multivariate F-statistic is not significant, however, and any interpretation must be tentative.

Customized personalization, which represents an attempt to shape the service to the unique needs of the customer, had positive effects on ratings of both helpfulness and sociability without the negative impact on ratings of ability. Though such a strategy is more labor-intensive and hence expensive in the short run, it appears to be a more productive operationalization of the personalization construct.

However, even here the potential for a negative impact of personalization can be seen. The interaction of customized personalization and option personalization,

though not statistically significant, does have a negative influence on satisfaction with competence when option personalization is high. One possible explanation is that customers need firm guidance when choices are complex and ego involvement is moderate. In such cases, the customer may wish to adhere to a formula (i.e., "most other people have chosen this combination") rather than accept the risk involved in fashioning a unique service package. Customers may trade the bold desire for individuality for the comfortable feeling of security that comes from conformity to established patterns.

Study Limitations

Our investigation of the personalization construct must be considered in light of some limitations. The simulation method entailed a sacrifice of realism for experimental control, visual stimuli were excluded deliberately, and subjects probably lacked the motivational level of consumers who are actually undergoing financial transactions. Though the students used in the experiment indicated high levels of familiarity with opening a checking account relative to many other services, they may not have responded in the same way older customers would to personalization efforts. Moreover, because most of the sample came from a large eastern city, regional bias may be significant. The issue of regional bias is especially troublesome in services experiments as there appears to be significant regional variation in service styles (e.g., Northeast vs. Southwest). At this time, however, evidence of such variations is primarily anecdotal.

Despite these limitations, the study demonstrates that even in an artificial environment with subtle, controlled variations of employee behavior, subjects' evaluations of both the target person and the institution he or she represents are significantly affected.

Conclusions

Service establishments compete in giving personalized service, but it is not at all clear that customers want such service in every encounter, nor is it clear what benefits customers derive from personalization. Personalized service is not without cost to the service establishment or to the customers, and its degree of "value added" should be assessed carefully. Our findings support the assertions that (1) service personalization is a multidimensional construct and (2) all forms of personalization do not necessarily result in more positive evaluations of the service offering by consumers.

Because the perceived quality of service is pivotal for a wide variety of service businesses, the personalization construct warrants systematic investigation.

Though our findings indicate that all forms of personalization are not equal, our study is only an initial attempt to unravel what is clearly a complex phenomenon. The impact of intervening variables such as in-

volvement, need for control, and so on has not been considered. Further elaboration of the personalization construct and more realistic tests of its predictive utility are challenges for future research.

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