CUSTOMER SERVICE FLEXIBILITY STRATEGY AND SERVICE PERFORMANCE: EVIDENCE FROM COSMETIC PLASTIC SURGERY BUSINESSES IN THAILAND

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***Abstract:** The aim of this paper is to examine the effects of customer service flexibility strategy which has five dimensions consisting of customer adaptation focus, customer response awareness, individual demands concerns, participation-based service orientation, and service choices emphasis on service outcomes and service performance of cosmetic plastic surgery businesses in Thailand. The model is empirically tested by using data collected from a mail survey of 162 cosmetic plastic surgery businesses located throughout Thailand, and using a questionnaire as the instrument. The statistics used for analyzing data was correlation analysis and the Ordinary Least Squares (OLS) regression analysis. The results indicate that only one dimension of customer service flexibility strategy, namely, individual demands concerns, has fully a significant positive influence on service innovation, service excellence, and service value. Service innovation, service excellence, service value, and service satisfaction are supported as the mediators of customer service flexibility strategy and service performance relationships. Eventually, this paper suggestions for theoretical and managerial contributions, and guides the future research.*

***Keywords:** Customer Service Flexibility Strategy, Customer Adaptation Focus, Customer Response Awareness, Individual Demands Concerns, Participation-Based Service Orientation, Service Choices Emphasis, Service Innovation, Service Excellence, Service Value, Service Satisfaction, Service Performance*

1. Introduction

In the era of globalization, which has brought about changes in the business environment which, in turn, has changed rapidly, competition has become more intensive in its impact on all businesses, both service and industrial business sectors. The rapid changes in the market

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and technology in the service business sectors is challenging to the ability of firms to make modifications in service to respond to the customer needs and wants under uncertainty. As a result, firms require competitive strategies to deal with customers under uncertain situations, to allow the finding of the actual needs of the customer. Customer service flexibility strategy was proposed as one of the most important strategies of the twenty-first century, which is the firm's ability to respond to customer's needs to enhance the level of customer satisfaction (Setia, Venkatesh & Joglekar, 2013). This is the

feeling that a product or service has met customer expectations under various conditions and in all situations that have occurred. For reasons aforementioned, flexibility strategy is the most important in allowing the firms to specify significant changes, is able to adapt to environmental changes, is able to respond to customers in the form of individual customization service, and manages the demand cycle (Upton, 1994). It allows one to manage resources to adapt to various customer requests and environmental uncertainty in terms of a service program and service processes, and to achieve and maintain competitive advantage with superior service performance (Zhang, Vonderembse & Lim, 2003). Furthermore, this paper focuses on cosmetic plastic surgery businesses in Thailand as a target group. Since, the International Society of Aesthetic Plastic Surgery (ISAPS) demonstrate trends survey that cosmetic plastic surgery is nearly fifteen million people worldwide who surgeries customizable appearance and Thailand is in the world's top 22 countries with the highest surgery, ranked fifth in Asia. It is first in Southeast Asia (International Society of Aesthetic Plastic Surgery, 2013). As a result, cosmetic plastic surgery businesses in Thailand can earn a significant income for the country and attempt to create new forms to respond to appropriate lifestyles of the customer. Accordingly, service sectors had been characterized by a high degree of uncertainty customer service flexibility strategy can be considered an important competitive weapon in the field service business.

Based on the literature review, this paper defines customer service flexibility strategy as an ability of firms in response to customer needs, to enhance the level of customer satisfaction which is the feeling that a product or service has met customer expectation under various conditions and in all situations that have occurred (Setia, Venkatesh & Joglekar, 2013; Matthyssens, Pauwels & Vandenbemt, 2005). In addition, customer service flexibility research has had increased for academic attention. Despite the fact that flexibility is implicit in the application of the marketing concept (Combe & Greenley, 2003), there are very few studies that have directly addressed customer service flexibility strategies. Therefore, this paper makes effort to search and address this gap by creating a new dimension of customer service flexibility strategy to enhance service innovation, service excellence, service value, service satisfaction, and service performance and value development success in order to fill a gap in customer service flexibility strategy. The result will benefit academic research and management practices. The main purpose of this paper is to investigate the relationships among the five dimensions of customer service flexibility strategy and service performance.

2. Literature Review

The conceptual model is proposed as shown in Figure 1 demonstrates the relationships among customer service flexibility strategy, and its consequences are positively related. The relationships among variables in the framework are explained by the dynamic capabilities theory. The dynamic capabilities theory is implemented to explain the ability of firms which can respond to changes that occur in its internal and external environment. The resources utilized to create growth and adaptation, are involved in uncertain, changing environments, to enhance the operational flexibility of business to rapidly respond to change (Lado et al., 2006; Eisenhardt & Martin, 2000), and to allow firms to achieve competitive advantage and superior performance (Hou & Chien, 2010).
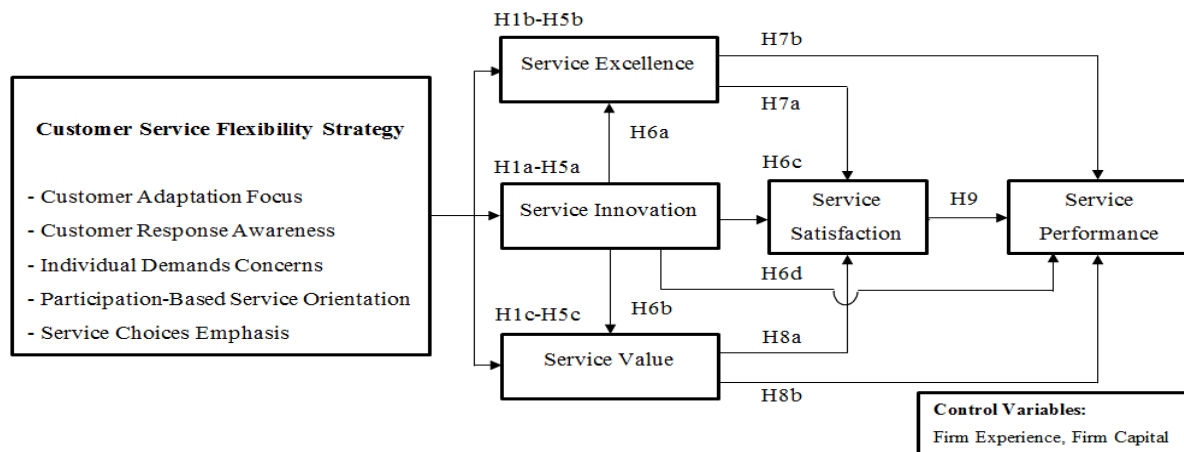
2.1. Customer Service Flexibility Strategy

In the twenty-first century, the characteristics of the market are dynamic, unpredictable, intense competition, an increase of customer power, and developing towards an increase distribution of targeted segments (Zeithaml & Bitner, 2003). Customer service flexibility strategy is one of the most important in the twenty-first century, which is the firm's ability to adapt to

Figure 1: A Conceptual Framework

environmental changes, and to allow service businesses to create a superior value proposition for its customer base, to achieve sustainable competitive advantage, and to have service success (Johnson et al., 2003). Additionally, the customer service flexibility strategy yet helps the service businesses focus on individual customer service to get participation information sharing and acquire understanding to utilize information from customers in order to develop a service flexibility strategy and create superior value for customers (Feng et al., 2012). Especially, this paper has applied the concept by prior research. Aranda (2003) proposed seven types of service operations flexibilities namely; (i) design flexibility, (ii) package flexibility, (iii) delivery time flexibility, (iv) delivery location flexibility, (v) volume flexibility, (vi) system robustness flexibility, and (vii) customer recovery flexibility. More important, the paper proposes a new dimension of customer service flexibility consisting of five dimensions as follows: customer adaptation focus, customer response awareness, individual demands concerns, participation-based service orientation, and service choices emphasis. All of these concepts involve customer service flexibility that is an essential for service firm. Accordingly, this paper defines customer service flexibility strategy as an ability of firms in response to customer needs, to enhance the level of customer satisfaction under various conditions and in all situations that have occurred (Setia, Venkatesh & Joglekar, 2013; Matthyssens, Pauwels & Vandenbemt, 2005; Zhang, Vonderembse & Lim, 2003). Besides this paper focuses on the ability of a firm in using customer service flexibility strategy to create service competitive advantage such as service innovation, service excellence, and service value, leading to increased service satisfaction, and to achieve service performance. Eventually, this paper proposes five dimensions of customer service flexibility strategy, and its consequences based on theoretical foundations and literature reviews of

empirically-testable hypotheses as detailed below.

- Customer Adaptation Focus (CAF)

CAF is crucial which is a strategy in adapting quickly to changing market environment uncertainty (Randall, Morgan & Morton, 2003), such as the delivery system, managing changes in the service mix, changing forms in customer delivery schedules, rapid modification of capacity, and the diversity customization of service to fit the customer (Aranda, 2003). It also achieves and maintains competitive advantage with superior service performance (Simonson, 2005). Therefore, in this paper, customer adaptation focus refers to the firm's concentration to appropriate service customization of customers, and relate to the adaptation according to customer requests more than in standardized. It also offers for more diversity, greater features, and higher quality in products and services (Sohail & Shanmugham, 2003; Schindehutte & Morris, 2001).

Previous research has demonstrated that the service business utilizes customer adaptation focus to create new services enhance sales growth (Leonidou et al., 2002), and allowed firms to create service innovation, achieved service excellence, and service value (Veerakumaran, 2009; Sohail & Shanmugam, 2003). Consequently, customer adaptation focus plays a significant role in customer service flexibility strategy; and it is likely to promote firms to achieve their service innovation, service excellence, and service value. The hypothesis is proposed as follows:

H1: *CAF has a positive influence on a) service innovation, b) service excellence, and c) service value.*

- Customer Response Awareness (CRA)

CRA is related to the willingness to service customers, and to deliver superior value to the customer (Dean, 2007). In addition, customer response awareness regards customer focus by identifying, analyzing, understanding, and satisfying customer needs (Johnson et al., 2003), in order to respond customers under changing environment uncertainty, involving what they want, the way they want it, and when they want it, quickly and effectively (Walsh, 2007; Jayachandran, Hewett & Kaufman, 2004). Accordingly, in this paper, customer response awareness refers to a firm's carefulness to service the customers quickly and effectively with what they want, the way they want it, and when they want it, in order to achieve satisfaction (Walsh, 2007; Martin & Grbac, 2003).

Prior research has mentioned that, the firm's service with greater customer response awareness has modern routines to meet customer needs and maintain long-term relationships in order to gain potential customer information, which can create service innovation and enhance customer service experiences (Rust, Moorman & Bhalla, 2010; Bitner, Ostrom & Morgan, 2008), to achieve service value (Dean, 2007), and lead to service excellence and service satisfaction (Homburg, Wieseke & Bornemann, 2009; Crotts & Ford, 2008). Accordingly, customer response awareness plays a significant role in customer service flexibility strategy; and it is likely to promote firms to achieve their service innovation, service excellence, and service value. The hypothesis is proposed as follows:

H2: *CRA has a positive influence on a) service innovation, b) service excellence, and c) service value.*

- Individual Demands Concerns (IDC)

IDC is crucial to reach an individual customer, and allow firms to achieve a response to the special needs and continuous preferences of the customer (Wang & Hong, 2006). Hence, this paper defines individual demands concerns as a firm's attentiveness to reach, in the form of one-to-one, a potential customer in order to understand, collect, analyze, and closely explore each customer need (Hooley & Theoharakis, 2008).

According to the finding, it is found that the service providers who focus on customer needs will receive knowledge and information in terms of customer needs and preferences, and abilities to expand an understanding of these needs and preferences, leading to the creation of service innovation (Joshi & Sharma, 2004). Additionally, individual demands concerns can yet help providers to achieve service excellence and service value (Anderson, Fornell & Mazvancheryl, 2008). Hence, individual demands concerns play a significant role in customer service flexibility strategy; and it is likely to promote firms to achieve their service innovation, service excellence, and service value. The hypothesis is proposed as follows:

H3: *IDC has a positive influence on a) service innovation, b) service excellence, and c) service value.*

- Participation-Based Service Orientation (PBSO)

Ulwick (2002), points out that it is a perspective of the resource. Specifically, the service providers should focus on customer participation in the service process, and consider a potential customer to be involved in co-creation, join development, and co-designs in order to offer various services, responds to customer changing needs rapidly and flexibly leads to gain maximum profits (Xu, Han & Ye, 2011).

Therefore, this paper defines participation-based service orientation as a firm's focus on a potential customer involvement in co-creation, development, design service activities and offer new services (Bhalla, Evgeniou & Lerer, 2004; Nambisan, 2002).

In a previous research study of participation-based service orientation, it is important to support customer service flexibility strategy to allow co-creation, join development, to co-designs for increasingly diverse service, to achieve service innovation, and to affect service excellence and service value by focusing on customers as a source of knowledge and new service ideas (Lundkvist & Yakhlef, 2004). Thus, participation-based service orientation plays a significant role in customer service flexibility strategy. It is likely to promote firms to achieve their service innovation, service excellence, and service value. The hypothesis is proposed as follows:

H4: *PBSO has a positive influence on a) service innovation, b) service excellence, and c) service value.*

- Service Choices Emphasis (SCE)

SCE that is crucial to strategy in offering many options for a service list according to those existing which allows easy customer's service selection decisions. Additionally, customer expectation regarding service choices exists as a variety of service options that are of high quality, modern, based on customer needs and expectation. Therefore, service choices emphasis refers to the firm's concentration to offer many options which exists on a service list that easily allows the customers to decide service selection (Ata et al., 2007).

The previous by work Liechty et al. (2001) found that an ability of service providers to customize offers a choice of services, and sets prices for services that lead to increased service value and revenues. Schwartz (2004) indicates that the

firms focus on offer service choice can create new service alternative continually and lead to service innovation (Steiner, 2014). Consistent with the research of many scholars, it is found that the variety of service choice with high and modern quality helps to gain satisfaction and to achieve service excellence (Iyengar & Lepper, 2000). Hence, the service choices emphasis plays a significant role in customer service flexibility strategy; and it is likely to promote firms to achieve their service innovation, service excellence, and service value. The hypothesis is proposed as follows:

H5: *SCE has a positive influence on a) service innovation, b) service excellence, and c) service value.*

2.2. The Consequences of Customer Service Flexibility Strategy

- Service Innovation (SI)

SI as the strategy to create new services that exists in order to respond to a customer's need and achieve competitive advantage. Besides, customer expectation is regarded as the most service innovation in the service businesses (Veerakumaran, 2009). Accordingly, this paper defines service innovation as the new service concept or process that has been developed or seriously improved and is heterogeneous in what exists to allow creation of new value and advantage (Chen, Tsou & Ching, 2011).

The previous research found that service innovation has a positive effect on service performance (Shergill, 2005). Furthermore, Halpern (2010) mentions that the ability of service businesses is to develop service innovation that is critical to satisfy customer satisfaction. According to Edvardsson and Enquist (2011), it is argued that service innovation can create the highest customer service experiences

leading to superior customer service value when compared with values in other companies, and to achieve service excellence position. Therefore, service innovation is a potential factor to enhance service excellence, service value, service satisfaction, and service performance. The hypothesis is proposed as follows:

H6: *SI has a positive influence on a) service excellence, b) service value, c) service satisfaction, and d) service performance.*

- Service Excellence (SE)

SE is to instill best practices within an organization in order to support its values and strategic objectives, meet stakeholders' expectations such as those of customers, employees, managers, and others and to maintain competency in a competitive position (Ritchie & Dale, 2000). Service excellence is dependent on superiority in the design and management of service systems related to serving excellence as perceived by customers in a variety and value creation (Lusch, Vargo & Tanniru, 2010). Therefore, this paper defines service excellence as having a service nature reputation that is best and preeminent over the competition, and service that exceeds customer expectations (Edvardsson & Enquist, 2011).

In previous research, Wiertz et al. (2004) found that service excellence has an influence on behavioral intentions, satisfaction and trust. In addition, Stuart-Kregor (2006) found that service excellence can drive a service business to achieve service performance. Accordingly, service excellence is a potential factor to enhance service satisfaction and service performance. The hypothesis is proposed as follows:

H7: *SE has a positive influence on a) service satisfaction, and b) service performance.*

- Service Value (SV)

SV is a new paradigm to create sustainable competitive advantage of more comprehensive firms, by focusing on service quality, customer satisfaction (Ngo & O'Cass, 2010); knowledge, and persons who participate in how to create value (Gronroos & Ravald, 2011). Definitions of service value in this paper refers to superior service quality and new experiences which a customer perceives and evaluates regarding what is received, such as benefits, quality, or performance that is worth more than what is paid, such as price or cost (Ulaga & Chacour, 2001). Recent research demonstrates that service value has an influence on service satisfaction, and an impact on service loyalty, and service performance (Lee, Ribeiro & Olson, 2007). Thuy (2012) explores customer perception involving service value, and the results show the positive impact of service values on service satisfaction. Therefore, service value is a potential factor to enhance service satisfaction, and service performance. The hypothesis is proposed as follows:

H8: *SV has a positive influence on a) service satisfaction, and b) service performance.*

- Service Satisfaction (SS)

SS is an important concept regarding areas of service literature review, and many researchers demonstrate that the service business should emphasize the role of service satisfaction, which will lead to service business performance (Afthnios, Theodorakis & Nassis, 2005; Balasubramanian, Konana & Memon, 2003). In this paper, service satisfaction refers to the firm's delight in serving to respond and fulfill of existing customer needs quickly and according to customer expectations (Gruca & Rego, 2005).

In prior research, Mittal et al. (2005) identify that the positive link between satisfaction and performance. It includes offering correct there is services to meet changing customer needs, which have an effect on customer service satisfaction (Piccoli & O'Connor, 2003). Customers have a high level of perceived service quality, leading to a high level of service satisfaction (Yoo & Park, 2007), which is a fundamental indicator regarding service performance (Wang, Lo & Yang, 2004). Hence, service satisfaction is a potential factor to enhance service satisfaction, and service performance. The hypothesis is proposed as follows:

H9: *SS has a positive influence on service performance.*

- Service Performance (SP)

SP is a multi-dimensional construct, consisting of two broad measures: subjective performance such as in customer loyalty, and objective performance such as in return on assets: ROA (Guo, 2002). One way to evaluate service performance will be to comprise financial outcomes namely, the revenue and profitability of the service activity (Antioco et al., 2008). Accordingly, in this paper, service performance is defined as outcomes of service activity measured by sales, market share, and overall performance related to service procedures (Agarwal et al., 2003).

3. Research Methodology
- Sample Selection and Data Collection Procedure

Cosmetic plastic surgery businesses in Thailand were selected as the sample in this paper. The list of sample was obtained from online database of the Department of Business Development Ministry of Commerce (DBD) in Thailand, based on information searched on Feb 6, 2015.

In this paper, questionnaire was used to collect the data through mailed survey. Questionnaire was developed through five parts. Part one asks the key informant for personal information such as gender, age, marital status, level of education, working experience, salary, and current position. Part two contains questions about the general information and history of the business, such as form of business, type of business, operational capital, operating period, number of full-time employees, and the firm's revenues per year. Part three through part four are related to evaluating each of the constructs in the conceptual model which measure items anchored by a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Specifically, evaluating each dimension of customer service flexibility strategy, and its consequences of customer service flexibility strategy, are included in Parts 3 and 4 respectively. The final part provides the open-ended question for the informant's suggestions and opinions regarding customer service flexibility of cosmetic plastic surgery businesses in Thailand.

The key informants are marketing executives namely, marketing directors and marketing managers of each firm. Deducting the undeliverable from the original 986 mailed, the valid mailing was 758 surveys. After two month, 185 questionnaires were returned, 23 of them were found incomplete. Accordingly, useable questionnaires were 162. The effective response rate was approximately 21.37 percent. Based on Aaker, Kumar and Day (2001) the response rate for mailed survey without an appropriate follow-up procedure if greater than 20 percent is considered acceptable. Also, this paper uses a t-test comparison of the firm's demographic information to prevent possible response bias of the problems between respondents and non-respondents.

The results of the t-test show no significant difference between these two groups of respondents. It implies that these returned questionnaires have no non-response bias problem, thus assuming that non-response bias has no major impact on the results of this paper (Rogelberg & Stanton, 2007).

- Variable Measurements

The measure of development procedures involves the multiple item development for measuring each construct in the conceptual model. All variables are developed for measuring from the definition, and all variables gained from the survey are measured by a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Therefore, the variable measurements of the dependent variable, independent variables, and control variables of this paper are described as follows.

- Dependent Variable

SP is used as the final dependent variable of customer service flexibility strategy. Service performance is measured by sales, market share, and overall performance related to service procedures. This construct is adapted from Sansook and Ussahawanitchakit (2010), which includes a five-item scale.

- Independent Variable

CAF is measured by the firm's concentration to appropriately service customization of customers. The measure is created as a new scale with four-items developed from the definition and literature review.

CRA is measured by the firm's carefulness to service the customers quickly and effectively in order to achieve satisfaction. This construct is developed as a new scale from the definition, and literature review. It is adapted from

Charpavang and Ussahawanitchakit (2010) which includes a four-item scale.

IDC is measured by the firm's attentiveness to reach in the form one-to-one a potential customer in order to closely explore each customer need. The measure is created as a new scale with a four-item scale, developed from the definition and literature review.

PBSO is assessed by the ability of the firm in social media, utilizing either discovering or understanding customer needs in both the present and future audience in suitable time that is faster than their competitors. These scales are adapted from Narver and Maclachlan (2004), including a four-item scale.

SCE is measured by the firm's concentration to offer many options which exist on service list that easily allows the customers to decide service selection. This construct is developed as a new scale from the definition and literature review, which includes a four-item scale.

- Mediating Variable

SI is measured by the new service concept or process that has been developed or seriously improved and is heterogeneous in what exists. This construct is developed as a new scale from the definition, literature review, and is adapted from Limpsurapong and Ussahawanichakit (2011) which includes a four-item scale.

SE is measured by a service nature reputation that is best and preeminent over the competition. This construct is adapted from Wiertz et al. (2004) which includes a four-item scale.

SV is measured by superior service quality and new experiences which customer perceives, and evaluates that is worth more than what is paid. This construct is adapted from Monari, Bini and Piccolo (2009) which includes a four-item scale.

SS is measured by the firm's delight in serving the responses, and the fulfilling of existing customer needs. This construct is adapted from Wang, Lo and Yang (2004) which includes a four-item scale.

- Control Variables

Firm experience (FE) is measured by number of years that firm has been in operation adapted from Chen and Huang (2009). The higher level of firm experience is likely to have a higher level of flexibility and regeneration firm performance (Matthews, 2003). In this paper, firm experience is represented by dummy variables including 0 (less than 5 years) and 1 (equal or more than 5 years) (Rukprasoot & Ussahawanitchakit, 2012).

Firm capital (FC) is measured by the capital or assets invested in the operation of an organization. Additionally, the bigger firms are likely to have a higher level of flexibility (Ferreira, Moulang & Hendro, 2010). In this paper, firm capital is represented by a dummy variable (0 = total registered capital that are less than 5,000,000 baht, and 1 = total registered capital that are equal or more than 5,000,000 baht) (Phokha & Ussahawanitchakit, 2011).

- Reliability and Validity

In this paper, both, exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) were used to examine the instrument validity and construct validity of the data in the questionnaire (Fisher, Maltz & Jaworski, 1997). As the rule-of-thumb, the acceptable cut-off score is 0.40, as a minimum (Hair et al., 2010). Therefore, the high values of factor loading were considered in a specific construct. The results found that all variables ranges have factor loadings between 0.465 and 0.916.

Those factor loadings are greater than the 0.40 cutoff.

In addition, Cronbach's alpha coefficient is commonly used as a measure of internal consistency or reliability of the constructs (Hair et al., 2010). The results reveal that each item of all variables expressed between 0.712 and 0.897 that are greater than 0.70 as recommended by Hair et al. (2010). Therefore, the reliability of all variables is accepted. The results of testing validity and reliability from thirty firms in the pre-test are presented in Table 1 as below.

Table 1: Results of measure validation in Pre-Test[a]

Constructs	Factor Loadings	Alpha Coefficient
Customer Adaptation Focus (CAF)	.616 - .822	.719
Customer Response Awareness (CRA)	.598 - .861	.765
Individual Demands Concerns (IDC)	.465 - .838	.754
Participation-Based Service Orientation (PBSO)	.851 - .890	.833
Service Choices Emphasis (SCE)	.675 - .809	.712
Service innovation (SI)	.800 - .869	.864
Service Excellence (SE)	.722 - .876	.816
Service Value (SV)	.468 - .888	.727
Service Satisfaction (SS)	.780 - .907	.836
Service Performance (SP)	.721 - .916	.897

[a] n = 30

- Statistical Techniques

In this paper, the basis of checking all the assumption preliminary for regression analysis using the ordinary least square method (OLS), is normality, homoscedasticity, autocorrelation, and linearity. These assumptions were examined and the results were acceptable. Furthermore, in this paper, the VIF scores for all variables expressed between 1.111 and 2.929 which are below 10. Consistence with measures correlation found that resulting correlations are between 0.406 and 0.728 which is less than 0.80 as recommended by Hair et al. (2010). Therefore, there are no substantial multicollinearity problems encountered in this paper.

The Ordinary Least Square (OLS) regression analysis is used to test all hypotheses following the conceptual model. As a result, all proposed hypotheses in this paper are transformed in to seven statistical equations. The equations are depicted below.

$$Eq1: SI = \alpha_{01} + \beta_1 CAF + \beta_2 CRA + \beta_3 IDC + \beta_4 PBSO + \beta_5 SCE + \beta_6 FE + \beta_7 FC + \varepsilon_1$$

$$Eq2: SE = \alpha_{02} + \beta_8 CAF + \beta_9 CRA + \beta_{10} IDC + \beta_{11} PBSO + \beta_{12} SCE + \beta_{13} FE + \beta_{14} FC + \varepsilon_2$$

$$Eq3: SE = \alpha_{03} + \beta_{15} SI + \beta_{16} FE + \beta_{17} FC + \varepsilon_3$$

$$Eq4: SV = \alpha_{04} + \beta_{18} CAF + \beta_{19} CRA + \beta_{20} IDC + \beta_{21} PBSO + \beta_{22} SCE + \beta_{23} FE + \beta_{24} FC + \varepsilon_4$$

$$Eq5: SV = \alpha_{05} + \beta_{25} SI + \beta_{26} FE + \beta_{27} FC + \varepsilon_5$$

$$Eq6: SS = \alpha_{06} + \beta_{28} SI + \beta_{29} SE + \beta_{30} SV + \beta_{31} FE + \beta_{32} FC + \varepsilon_6$$

Eq7: SP = α07+β33SI+β34SE+β35SV+
β36SS+β37FE+β38FC+ε7

4. Results and Discussion

This research applies the bivariate correlation analysis of Pearson product-moment correlation is conducted on all variables. It was used for exploring the relationships between independent variables to ensure that those variables had a reciprocal relationship that was not excessive. The reason is the high correlation coefficient between the independent variables indicating the multicollinearity problem. A multicollinearity problem is detected when independent variables have an intercorrelation that exceeds 0.80 (Hair et al., 2010). Table 2 shows the results of all the independent variables in which the correlation analysis has a correlation between 0.406 and 0.728 that did not exceed 0.8 (Hair et al., 2010), which can imply that each independent variable is independent of each other. Therefore, the results confirm that multicollineraity is not a problem for the analysis of this construct.

Table 3 shows the multiple regression analysis of the relationships among customer service flexibility strategy (customer adaptation focus, customer response awareness, individual demands concerns, participation-based service orientation, service choices emphasis), its consequences (service innovation, service excellence, and service value), and service performance. These underlying hypotheses 1a-1c, 2a-2c, 3a-3c, 4a-4c, 5a-5c, 6a-6d, 7a-7b, 8a-8b, and 9, which propose that there are positive relationships among all. These hypotheses can be transformed into the regression equation in Model 1, 2, 3, 4, 5, 6, and 7.

The results in Table 3 are according to customer adaptation focus (Hypotheses 1a-1c). The results show that customer adaptation focus has a significant positive

Table 2: Descriptive Statistics and Correlation Matrix

	CFA	CRA	IDC	PBSO	SCE	SI	SE	SV	SS	SP	FC	FE
Mean	4.13	4.11	4.05	3.95	4.04	4.01	4.04	4.06	4.08	3.94	N/A	N/A
S.D.	.502	.491	.542	.578	.458	.549	.563	.453	.561	.529	N/A	N/A
CRA	.727***											
IDC	.558***	.667***										
PBSO	.505***	.505***	.650***									
SCE	.615***	.677***	.684***	.620***								
SI	.530***	.533***	.552***	.474***	.605***							
SE	.571***	.625***	.620***	.531***	.618***	.728***						
SV	.602***	.574***	.554***	.406***	.547***	.578***	.602***					
SS	.536***	.560***	.524***	.407***	.528***	.498***	.587***	.634***				
SP	.588***	.602***	.434***	.427***	.630***	.513***	.612***	.592***	.675***			
FC	.178**	.134	.056	.026	.042	.145	.128	.136	.086	.127		
FE	.126	.183**	.069	.029	.099	-.074	.037	.159**	.168**	.179**	.269***	
*** p < 0.01, ** p < 0.05												

influence on service innovation ($H1a$: $\beta_1 = 0.153$, $p < 0.1$), and service value ($H1c$: $\beta_{18} = 0.328$, $p < 0.01$). Consistent with previous studies, they indicate that customer adaptation focus allows firms to create products and services that are more diversified by appropriately customizing customer which leads to service innovation, and sets prices fit; they allow customer willing the pay led to create service value (Veerakumaran, 2009; Sohail & Shanmugam, 2003; Shapiro & Varian, 1999). ***Therefore, Hypotheses 1a and 1c are supported***. The findings illustrate that customer adaptation focus has no significant positive influence on service excellence ($H1b$: $\beta_8 = 0.121$, $p > 0.10$). Based on literature review, service providers who only concentrate on customer adaptation may not be adequate to generate service excellence, but it allows as a foundation of customer relationship management (Freeland, 2003). ***Hence, Hypothesis 1b is not supported***.

In hypotheses 2a-2c, the results exhibit that the relationship of customer response awareness has a significant positive influence on service excellence ($H2b$: $\beta_9 = 0.218$, $p < 0.05$). The recent research found that service provider with greater customer response has modern routines to meet customer demands in order to have long-term relationships, enhance customer service experiences (Rust, Moorman & Bhalla, 2010), and lead to creating service excellence (Crotts & Ford, 2008). ***Thus, Hypothesis 2b is supported***. Nevertheless, the findings illustrate that customer response awareness has no significant positive influence on service innovation ($H2a$: $\beta_2 = 0.087$, $p > 0.10$) and service value ($H2c$: $\beta_{19} = 0.087$, $p > 0.10$). Li (2009) describes that firms with limited resources and capacity cannot do all the things for all customers; it will be difficult to increase customer expectation. It leads to decrease ability of creating innovation and values of service business. ***Hence, Hypotheses 2a and 2c are not supported***.

More importantly, in hypotheses 3a-3c this research results illustrate that individual demands concerns has a significant positive influence on service innovation ($H3a$: $\beta_3 = 0.161$, $p < 0.10$), service excellence ($H3b$: $\beta_{10} = 0.208$, $p < 0.05$), and service value ($H3c$: $\beta_{20} = 0.241$, $p < 0.05$). According to the study of prior research, individual demands concerns are crucial strategies to reach a customer

Table 3: Results of Regression Analysis

Independent Variables	Dependent Variables						
	Service Innovation (SI)	Service Excellence (SE)		Service Value (SV)		Service Satisfaction (SS)	Service Performance (SP)
	H1a-5a	H1b-5b	H6a	H1c-5c	H6b	H6c, H7a, H8a	H6d, H7b, H8b, H9
	Eq1	Eq2	Eq3	Eq4	Eq5	Eq6	Eq7
Customer Adaptation Focus (CAF)	.153* (.090)	.121 (.086)		.328*** (.091)			
Customer Response Awareness (CRA)	.087 (.100)	.218** (.096)		.087 (.102)			
Individual Demands Concerns (IDC)	.161* (.094)	.208** (.089)		.241** (.095)			
Participation-Based Service Orientation (PBSO)	.049 (.082)	.106 (.079)		-.054 (.084)			

Service Choices Emphasis (SCE)	.324*** (.094)	.193** (.089)		.147 (.095)			
Service Innovation (SI)			.736*** (.055)	.594*** (.064)	.594*** (.064)	.056 (.090)	.057 (.084)
Service Excellence (SE)						.302*** (.089)	.245*** (.086)
Service Value (SV)						.409*** (.077)	.146* (.078)
Service Satisfaction (SS)							.396*** (.075)
Firm Experience (FE)	-.387*** (.126)	-.152 (.121)	.189 (.115)	.130 (.128)	.416** (.134)	.221* (.127)	.164 (.120)
Firm Capital (FC)	.275** (.128)	.154 (.122)	-.008 (.118)	.063 (.130)	-.010 (.137)	-.093 (.126)	.025 (.118)
Adjusted R^2	.445	.494	.530	.428	.363	.462	.532
Durbin-Watson	2.289	1.839	1.645	1.871	1.777	2.002	2.159
Maximum VIF	2.929	2.929	1.111	2.929	1.111	2.406	2.563
Beta coefficients with standard errors in parenthesis, *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$							

individually to understand, collect, analyze, and explore each customer need closely. Service providers respond to a customer correctly and appropriately (Feng et al., 2012; Hooley & Theoharakis, 2008). It leads to the creation of service innovation (Joshi & Sharma, 2004), achieve service excellence (Anderson, Fornell & Mazvancheryl, 2008), and reduce lost benefits led to setting price appropriately, to create service value (Steiner et al., 2014; Li, 2009; Kotler, 1989). *Therefore, Hypotheses 3a, 3b, and 3c are supported.*

In hypotheses 4a-4c, the results exhibit that the relationship of participation-based service orientation has no significant positive influence on service innovation (*H4a*: $\beta_4 = 0.049$, $p > 0.10$), service excellence (*H4b*: $\beta_{11} = 0.106$, $p > 0.10$), and service value (*H4c*: $\beta_{21} = -0.054$, $p > 0.10$). Previous research explore service providers focus on extreme customer participation-based service in service system must be encountered confliction on collaboration between service employees and customers related to a role of the co-creators (Hsieh,

Yen & Chin 2004). The conflicting about the collaboration issues of these issues have an influence on a failure to co-creation outstanding service; the service provider cannot achieve competitive advantage, namely, service innovation, service excellence, and service value (Chan, Yim & Lam, 2010). *Hence, Hypotheses 4a, 4b, and 4c are not supported.*

In line with hypotheses 5a-5c, the results show that service choices emphasis has a significant positive influence on service innovation (*H5a*: $\beta_5 = 0.324$, $p < 0.01$), and service excellence (*H5b*: $\beta_{12} = 0.193$, $p < 0.05$). Consistent with the research of many scholars, it is found that the variety of high and modern service choice help to gain satisfaction to achieve service excellence by creating more added service choices and better choices in serving the customers (Lusch, Vargo & Tanniru, 2010; Schwartz, 2004; Chernev, 2003; Iyengar & Lepper, 2000), and leading to service innovation (Steiner, 2014). *Hence, Hypotheses 5a and 5b are supported.* Nonetheless, the findings illustrate that service choices emphasis has

no significant positive influence on service value ($H5c$: $\beta_{22} = 0.147$, $p > 0.10$). The prior research found that too many service choices leave the customers with no choice it affects satisfaction losses and led to decreased service value (Sela, Berger & Liu, 2009). *Therefore, Hypothesis 5c is not supported.*

In parts of the control variables, firm experience has statistically significant negative influence on service innovation ($\beta_6 = -0.387$, $p < 0.01$), and firm capital has statistically significant positive influence on service innovation ($\beta_7 = 0.275$, $p < 0.05$). It can be interpreted that the number of years in operation of business less than 5 years has an influence on service innovation whereas that equal or more than 5 years does not. Consistent with prior research, less experience firms have a willingness to change to use a new technology if they perceive that it will offer those advantages, lack complexity, and allow them a chance to try it out and led to create innovation (Akkermans & van Helden, 2002). Subsequently, firm capital that the capital or assets invested in the operation of business equal or more than 5,000,000 baht has an influence on service innovation whereas that less than 5,000,000 baht does not. According to the literature, the firm which has a bigger capital, usually has more resources to invest in learning, innovation, get operation flexibility, and led to performance more than firm that has less capital (Jimenez-Jimenez & Sanz-Valle, 2010).

Next, according to service innovation (Hypotheses 6a-6d), the results show that service innovation has a significant positive influence on service excellence ($H6a$: $\beta_{15} = 0.736$, $p < 0.01$), and service value ($H6b$: $\beta_{25} = 0.594$, $p < 0.01$). In line with Edvardsson and Enquist (2011), it is argued that service innovation can create the highest customer service experiences through marketing communication such as word of mouth

leading to superior customer service value when compared with values in other companies, and achieve service excellence position. Additionally, when the customer perceives value that provides customers with the value that is unique and hard to imitate by the competitors, it makes willing customer to pay, these things allow service providers to achieve service value and service excellence (Li, 2009). *Thus, Hypotheses 6a and 6b are supported.* Even though, the results illustrate that service innovation has no significant positive influence on service satisfaction ($H6c$: $\beta_{28} = 0.056$, $p > 0.10$), and service performance ($H6d$: $\beta_{33} = 0.057$, $p > 0.01$). Literature indicates that service providers operate under limited information in product and service markets may be a barrier to reach potential customer information. New services and products become impossible to respond to rightful customer demands and this affects satisfaction losses (Rubalcaba, Gallego & Hertog, 2010; Sela, Berger & Liu, 2009), may harm the sales and overall service performance (Melton & Hartline, 2010; Zeithaml, 2000). *Therefore, Hypotheses 6c and 6d are not supported.*

Additionally, these two control variables include firm experience and firm capital. The results illustrate that firm experience has statistically significant positive influence on service value ($\beta_{26} = 0.416$, $p < 0.01$), and service satisfaction ($\beta_{31} = 0.221$, $p < 0.10$). It can be interpreted that the number of years in operation of business equal or more than 5 years has an influence on service value, and service satisfaction whereas that less than 5 years does not. Accordingly, firm experiences enhance the capability and the quality of a firm's intangible resources such as knowledge and capabilities by which a firm is able to create a competitive advantage, namely; service, value and service satisfaction when competitors are lower, or

have not experienced in the market (Roberts & McEvily, 2005).

Surprisingly, in hypotheses 7a-7b, the results illustrate that service excellence has a significant positive influence on service satisfaction (*H7a:* $\beta_{29} = 0.302$, p < 0.01), and service performance (*H7b:* $\beta_{34} = 0.245$, p < 0.01). The previous research indicates that service excellence has an effect on behavioral intention, satisfaction, trust, and service performance (Stuart-Kregor, 2006; Wiertz et al., 2004). ***Hence, Hypotheses 7a and 7b are supported.***

In terms of control variables, they are firm experience and firm capital. This result found that firm experience has statistically significant positive influence on service satisfaction ($\beta_{31} = 0.221$, p < 0.10). It can be interpreted that the number of years in operation of business equal or more than 5 years has an influence on service satisfaction whereas that less than 5 years does not. Consistent with prior research, service providers that have higher operation periods can be an accumulation and integration of knowledge, skills, and capability of past service processes to improve service that is better and beyond expectation the customer, which has an effect on service satisfaction (Bennett, Hartel & McColl-Kennedy, 2005).

More importantly, in line with hypotheses 8a-8b, the results exhibit that the relationship of service value has a significant positive influence on service satisfaction (*H8a:* $\beta_{30} = 0.409$, p < 0.01), and service performance (*H8b:* $\beta_{35} = 0.146$, p < 0.10). Recent research found that service value has critical influence on service satisfaction, service loyalty, and service performance (Lee, Ribeiro & Olson, 2007). ***Thus, Hypotheses 8a and 8b are supported.***

In addition, the control variables include firm experience and firm capital. The finding found that firm experience has

statistically significant positive influence on service satisfaction ($\beta_{31} = 0.221$, p < 0.10). It can be interpreted that the number of years in operation of business equal or more than 5 years has an influence on service satisfaction whereas that less than 5 years does not. In previous research, they demonstrated that service providers who have higher operation periods accumulate experience at a high, diverse level (Majocchi, Bacchiocchi & Mayrhofer, 2005). They can satisfy diverse customer expectations and improve the customer experience to deliver service that fits and beyond expectation of the customer, which has an effect on customer satisfaction (Gruca & Rego, 2005).

Finally, in hypothesis 9, the results show that service satisfaction has a significant positive influence on service performance (*H9:* $\beta_{36} = 0.396$, p < 0.01). Based on literature review, service satisfaction is an important concept regarding areas of service literature review, and many researchers demonstrate that the service business should be emphasized as the major role of service satisfaction, which will lead to service business performance (Van Der Wiele, Boselie & Hesselink, 2002). ***Therefore, Hypothesis 9 is supported.***

5. Conclusions

This paper investigates the influences of customer service flexibility strategy on service outcome and service performance of cosmetic plastic surgery businesses in Thailand. Accordingly, the evidence will provide direction and suggestions for service providers to pay attention to customer service flexibility strategy for service performance; the summary of main research questions and results is included in Table 4 below.

6. Contributions and Future Research

To start with, this paper makes an essential contribution to theory. Supporting

and extending dynamic capabilities theory is utilized to explain our conceptual model in this paper. According to dynamic capabilities theory, dissimilarities in resources and capabilities allow firms to achieve competitive advantages and gain higher performance in environment uncertainty in order to be appropriate. Eventually, this paper allows support managers to identify and justify major elements that may be more critical in the competitive environment. Specifically, customer service flexibility strategy in terms of individual demands concerns has a strong effect on service performance through service outcomes, which managers should be a special focus. Furthermore, service innovation, service excellence, service value, and service satisfaction are supported as the mediators of customer service flexibility strategy and service performance relationships.

Nevertheless, only one dimension of customer service flexibility strategy that is individual demand concerns has a strong effect on the service outcome (service innovation, service excellence, and service

value). Accordingly, the future research is suggested examine the effects of other four dimensions consisting of customer adaptation focus, customer response awareness, participation based service orientation, and service choices emphasis on customer service flexibility strategy again in another population to increase the level of reliable results. Ultimately, the evidence indicates the significant influence of both control variables, including firm experience and firm capital. As, firm experience has significant, negative influences on the relationships among customer service flexibility strategy and service innovation. On the other hand, firm capital has significant positive influences on the relationships among customer service flexibility strategy and service innovation. Therefore, implementing research results, managers should keep in mind that firm experience and firm capital may effect the consequences when business has been in operation less than 5 years or have capital invested equal to 5 millions bahts or more.

Table 4: A Summary of the Results and Conclusions in All Hypotheses Testing

Hypothesis	Results (supported)	Conclusions
Hypotheses 1a-c, 2a-c, 3a-c, 4a-c, and 5a-c	H1a, H1c, H2b, H3a, H3b, H3c, H4b, H5a, and H5b	Partially supported
Hypotheses 6a-d	H6a and H6b	Partially supported
Hypotheses 7a-b	H7a and H7b	Supported
Hypotheses 8a-b	H8a and H8b	Supported
Hypothesis 9	H9	Supported

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