Chapter 5

5. HYPOTHESES AND THE CONCEPTUAL MODEL

Recent developments in marketing literature suggest customer perceived value to be a multidimensional construct. Seth et al. (1991) proposed five different types of consumption values which affect customer choice behavior (viz. functional value, conditional value, social value, emotional value and epistemic value). Sweeney and Soutar (2001) refined the same and came up with the 19 item PERVAL scale in the context of product brands eliminating conditional value. Petrick (2002) extrapolated the perceived value scale development attempt into the services context and empirically defined a SERV-PERVAL scale with the dimensions as follows: quality, perceived monetary price, emotional response, behavioral price and reputation. Sanchez et al. (2006) proposed a GLOVAL scale in an attempt to overcome the shortcomings of SERV-PERVAL scale resulting in sub dimensions of functional value. On similar lines Chengiz and Kirkbir (2007) empirically extended the SERV-PERVAL scale adding on to the emotional dimension. Indeed all these scale development attempts enriched the value literature both conceptually and empirically, however there still remains ample scope for understanding perceived value particular to service industries. The reason being, value is considered to be dynamic in nature, i.e. customers perceive value before a purchase, during the purchase process and even after purchase of a service (Havlena and Holbrook, 1986). This when coupled with the heterogeneous characteristic of service (Lovelock, 1983) provides a wide platform for re-understanding value and its dimensions in the services context.

Figure 5.1

The Integrated Model
5.1. THE INTEGRATED MODEL

The above model provides a diagrammatic representation of the relationships put forward in the hypotheses and sub hypotheses that follows next (please refer to Fig 5.1 for the integrated model). The left hand side of the diagram represents service value and its dimensions as proposed and empirically tested by Sánchez-Fernández et al., (2009). The right hand side depicts the satisfaction-attitudinal-behavioral loyalty and word-of-mouth cascade. The relationships between the constructs are highlighted with the help of arrows and the proposed hypotheses are pointed out accordingly within the diagram.
5.2. THE MULTIDIMENSIONAL SERVICE VALUE SCALE

For the purpose of the present study, Holbrook (1999)’s value typology as conceptualized and empirically examined by Sánchez-Fernández et al., (2009) is being considered for its wide scope in understanding the benefits sought by consumers in the value paradigm as well as its simplicity in understanding by managers and intrusively appealing nature. Hence prior to examining the relationships of the value dimensions on customer satisfaction, attitudinal loyalty components and behavioral loyalty, the six dimensional service value scale (quality, efficiency, social value, play, aesthetics and altruistic value) requires examination for its reliability and validity in the context of the study. Post validation the relationship between the service value dimensions and customer behavior in terms of satisfaction and loyalty constructs will be examined through development of relevant set of hypotheses as outlined next.

5.3. SERVICE VALUE DIMENSIONS AND CUSTOMER SATISFACTION

Marketing literature considers value perceived by consumers to be an important determinant of customer satisfaction. The traditional perceived value definition involves a comparison of the benefits received with the cost or sacrifices made by the consumer (Zeithaml, 1988). Meanwhile satisfaction is defined as a general feeling, positive or negative, as to the net benefits of the services received from a provider (Roig et al, 2009). Woodruff (1997) therefore argued that perceived value represent the customer’s cognitive perception of the relational exchange with their service providers and satisfaction reflect the overall feeling derived from the value perceived by the customer. The behavioural model as proposed by Fishbein and Ajzen (1975) also supports the fact the feelings are influenced significantly by cognition. Oliver (1981)
proposed that customers become satisfied on receiving “adequate doses” of value from their purchase of product or service within the expectancy disconfirmation framework. To elaborate, the customers form specific expectations regarding the value they wish or anticipate to receive from their purchase of a product or service. Post purchase experiences reveal the level of value the customers accumulated from the choice they made. When this perceived value exceeds the customers’ expectancy, they are satisfied or else otherwise (Anderson et al., 1994).

Value literature suggests perceived value to be a multidimensional construct which is evident from the scale development attempts as outlined earlier. Quite a few authors (Wang et al., 2004, Gallarza and Saura, 2006, Roig et al., 2009, Sparks et al., 2008, Dardak and Habib, 2010) examined the relationship between multidimensional value and satisfaction in services parlance, although the multidimensional value scales that they used for the purpose were varied. Nevertheless the findings revealed that the dimensions of service value served as satisfaction drivers. Of the dimensions empirically examined to have an impact on satisfaction are quality (Cronin et al., 2000, Wang et al., 2004), aesthetics, play and social value (Gallarza and Saura, 2006, Wang et al., 2004), price (Wang et al., 2004), emotional value (Wang et al., 2004). The present study follows Holbrook (1999)’s value typology for reasons alluded earlier. Therefore the following set of hypotheses is proposed.

**H1: Service value dimensions have a positive impact on customer satisfaction.**

*H1a: Efficiency has a positive impact on customer satisfaction.*

*H1b: Quality has a positive impact on customer satisfaction.*

*H1c: Social value has a positive impact on customer satisfaction.*

*H1d: Play has a positive impact on customer satisfaction.*
5.4. SERVICE VALUE DIMENSIONS AND ATTITUDINAL BRAND LOYALTY

Neal (1998) opined that perceived value predicts choice behavior of a customer, thus predicts loyalty. He explained that customers who consider purchasing a particular product or service carefully scan the available options and develop a consideration set. Within that consideration set a hierarchy of those products or service is developed based on the customer’s assessment of value obtained. Finally they choose the one which is at the top of the list. This process may be conscious, cognitive or even subconscious with some emotional elements. The marketing literature has also reported the positive influence of perceived value on loyalty towards a service provider (McDougall and Levesque, 2000; Lewis and Soureli, 2006). However, loyalty in services is not as simple as repeat purchase. The intangible nature of services and the lack of standardization may imply a complex value perception process while choosing between alternatives. Additionally, the inseparability of production and consumption involves customer participation in the entire service delivery process which may reflect interpersonal and emotional components in the value perception. Gremler and Brown (1996) defines service loyalty as “the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises”. The importance of evaluating loyalty on both attitudinal and behavioral frontier is also reflected in the propositions of Dick and Basu (1994) and Oliver (1999). Therefore prior to repeat purchase a favorable attitude is necessary to reflect true loyalty as opposed to spurious loyalty (Dick and Basu, 1994).
Attitudinal loyalty again depends on a favorable cognition (based on brand beliefs), affect (hedonic evaluations) and conative (intention) aspects (Oliver (1999). Understanding the differential impact of the service value dimensions on the components of attitudinal loyalty therefore might provide meaningful insights. Empirical research in retailing parlance revealed that the value dimensions do have differential effect on attitude formation (Molina and Saura, 2008); however the authors did not account for the effect on the attitude components separately.

The results from Molina and Saura, (2008) revealed that the value dimensions of quality and emotion had a positive impact on attitude in retailing parlance. Holbrook’s (1999) value dimensions play, aesthetics and altruistic value captures the emotional aspects of value. Moreover, Dick and Basu (1994) identified the antecedents to cognition as accessibility, confidence, centrality and clarity. The authors opined that accessibility is achieved through point of consumption cues; confidence is associated with credibility and consistency; centrality is related to the value system of the individual and clarity is driven by and individuals involvement in a social judgment. The values dimensions of efficiency, quality, aesthetics and play closely relates to the cognitive antecedents of accessibility and confidence; the reason being all of these values are perceived at the point of consumption and dependent on the service provider’s ability to deliver same level of service every time. On the other hand, centrality is reflected in altruistic value and clarity is manifested in social value. Therefore the following hypotheses and sub hypotheses are therefore proposed:

\textit{H2: Service value dimensions have a positive impact on cognitive brand loyalty.}

\textit{H2a: Efficiency has a positive impact on cognitive brand loyalty.}
\textit{H2b}: Quality has a positive impact on cognitive brand loyalty.

\textit{H2c}: Social value has a positive impact on cognitive brand loyalty.

\textit{H2d}: Play has a positive impact on cognitive brand loyalty.

\textit{H2e}: Aesthetics has a positive impact on cognitive brand loyalty.

\textit{H2f}: Altruistic value has a positive impact on cognitive brand loyalty.

Dick and Basu (1994) pointed out that the antecedents to affective stage of loyalty are emotions, moods, primary effect and satisfaction. Emotions are related to an intense state of arousal, moods are similar to emotions but less intense in nature and temporary, primary effect is the arousal of immediate psychological responses to an attitude-object, and satisfaction is the post purchase evaluative judgment of a customer. The definitions of Holbrook’s value dimension of play and aesthetics clearly highlights the elements of fun and pleasure which relates to Dick and Basu’s (1994) propositions. Additionally altruistic value and social value is a result of primary affect. However, the hypotheses related efficiency and quality remain exploratory in nature. Thus the following set of hypothesis is proposed.

\textit{H3}: Service value dimensions have a positive impact on affective brand loyalty.

\textit{H3a}: Efficiency has a positive impact on affective brand loyalty.

\textit{H3b}: Quality has a positive impact on affective brand loyalty.

\textit{H3c}: Social value has a positive impact on affective brand loyalty.

\textit{H3d}: Play has a positive impact on affective brand loyalty.

\textit{H3e}: Aesthetics has positive impact on affective brand loyalty.

\textit{H3f}: Altruistic value has a positive impact on affective brand loyalty.
Roig et al., (2009) provided empirical evidence to the direct impact of the value dimensions on intentional loyalty. The authors found out that emotional value, social value, functional value of the service and functional value price had a substantial positive effect on the formation of intentional loyalty. Holbrook’s (1999) definitions of service value dimensions play, aesthetics and to some extent altruistic value captures the essence of emotional value as mentioned by Roig et al., (2009). Functional value price is embedded in the conceptualization of service value dimension of efficiency and functional value of service is a surrogate for quality. Additionally Dick and Basu (1994) opined switching costs, sunk costs and expectations to be antecedents to conation. According to Sánchez-Fernández et al., (2009) the cost element of Zeithaml (1988)’s definition of value is incorporated in the service value dimension efficiency and expectations is an inherit part of quality (Zeithaml, Parasuraman and Berry, 1988). Thereby the following set of hypothesis is put forward.

**H4: Service value dimensions have a positive impact on conative brand loyalty.**

- **H4a:** Efficiency has a positive impact on conative brand loyalty.
- **H4b:** Quality has a positive impact on conative brand loyalty.
- **H4c:** Social value has a positive impact on conative brand loyalty.
- **H4d:** Play has a positive impact on affective conative brand loyalty.
- **H4e:** Aesthetics has a positive impact on conative brand loyalty.
- **H4f:** Altruistic value has a positive impact on conative brand loyalty.

### 5.5. SERVICE VALUE DIMENSIONS AND BEHAVIORAL BRAND LOYALTY AND WORD-OF-MOUTH
Behavioral loyalty implies repeat purchase. Neil (1998, 1999) rightly pointed out that customer loyalty is the proportion of times a purchaser chooses the same product or service in a specific category compared to the total number of purchases made by the purchaser in that category, under the condition that other acceptable products or services are conveniently available in that category. Thus customer loyalty is a behavior measured as a proportion. Neal (1999) further proposed that the primary driver of repeat purchase is customer perceived value. WoodRuff (1997) identified the discrepancy between customer satisfaction measurements and firm performance and put forward the importance of value as a better predictor of customer retention. Jones and Sasser (1995) explained why satisfied customers defect. Richheld (1996) published “The Loyalty Effect” demonstrating that satisfaction was not nearly enough to insure loyalty. Gayle (1994) highlighted the need for a transition from customer satisfaction to customer value in order to improve customer retention. The theoretical underpinnings of these works are empirically addressed by value researchers indeed (Cronin et al. 1997; Sweeney et al. 1999) however perceived value has been considered to be an uni dimensional construct which has its own limitations. Pertaining to service industries, empirical findings from the works of Gallarza and Saura (2004) and Molina and Saura (2008) reveal that the value dimensions have direct significant differential impacts on behavioral loyalty of a customer. Gallarza and Saura (2004) identified efficiency and quality to be strong antecedents to behavioral loyalty. The rest of the value dimensions of aesthetics, play and social value were positive antecedents. Results of the empirical analysis by Molina and Saura (2008) revealed quality and emotional value to be the most potent value dimension affecting customer loyalty across various retail activities. Price which is included in efficiency had a significant impact on behavioral loyalty only in apparel
retail. However, although hypothesized social value didn’t have any impact on behavioral loyalty across retails. In view of the above arguments the following set of hypothesis are proposed.

**H5: Service value dimensions have a positive impact on behavioral brand loyalty.**

- **H5a:** Efficiency has a positive impact on behavioral brand loyalty.
- **H5b:** Quality has a positive impact on behavioral brand loyalty.
- **H5c:** Social value has a positive impact on behavioral brand loyalty.
- **H5d:** Play has a positive impact on behavioral brand loyalty.
- **H5e:** Aesthetics has a positive impact on behavioral brand loyalty.
- **H5f:** Altruistic value has a positive impact on behavioral brand loyalty.

In an attempt to develop an integrated framework linking customer value to customer relationship management Wang et al., (2004) provides empirical evidence to the fact that the dimensions of value not only influence behavioral loyalty but also effect behavior based CRM performance which the authors measured in terms of customer advocacy and word of mouth. The authors adopted the PERVAL framework as suggested by Sweeney and Soutar (2001). The results of the study revealed that none of the value dimensions had a significant impact on word of mouth behavior. However, the study was conducted in financial services sector, and the results can be questioned on generalizability across contexts. Dick and Basu (1994) argued that consumers are more likely to engage in word of mouth when they encounter notable emotional experiences. Therefore examining the impact of the value dimensions on word of mouth can provide useful managerial implications. Thus the following exploratory hypotheses and sub hypotheses are proposed:

**H6: Service value dimensions will have a direct positive impact on word of mouth.**
H6a: Efficiency will have a direct positive impact on word of mouth.

H6b: Quality will have a direct positive impact on word of mouth.

H6c: Social value will have a direct positive impact on word of mouth.

H6d: Play will have a direct positive impact on word of mouth.

H6e: Aesthetics will have a direct positive impact on word of mouth.

H6f: Altruistic value will have a direct positive impact on word of mouth.

5.6. THE SATISFACTION-LOYALTY CASCADE

Companies invest in delivering customer satisfaction in anticipation of gaining customer behavioral loyalty (Fornell, 1992). However, WoodRuff (1997) pointed out that customer satisfaction may not necessarily transform into loyalty in terms of repeat purchase as often indicated by customers who are satisfied by a firm’s product or service but actually purchase elsewhere. Therefore, Day (1969) posit that true brand loyalty can only be assessed by understanding the attitudes, beliefs and intentions of customers. Satisfaction alone is not enough to explain why and how true loyalty develops. The author added that behavioral outcomes in terms of repeat purchase and reduced probability of the customer switching to the competitive offerings in the market place are preceded by the development of a favorable attitude towards the product or service. Dick and Basu (1994) proposed a conceptual model that encompassed both consumers’ relative attitude and repeat purchase behavior. Repeat purchase of a brand over a certain period of time indicated customer loyalty indeed, it was not sufficient unless positive relative attitude towards the brand was taken into account. Thereby Dick and Basu (1994) identified the antecedents to relative attitude at three different levels: cognitive, affective and conative. They proposed that behavioral loyalty outcomes are only possible if a customer has
favorable perceptions on all the attitudinal components. Oliver enriched the framework by considering loyalty to be a sequential process with customers being cognitive loyal initially based on brand beliefs, then affective loyal with pleasurable fulfillment based on brand performance and finally conative loyal exhibiting brand specific commitment. Attitudinal loyalty in place, the customers tend to show overt behavior in terms of repeat purchase resulting in action loyalty (Ajzen and Fishbein, 1980). The satisfaction-loyalty cascade has been subjected to empirical validation in services industries (Back and Parks 2003; Han et al., 2008). The findings confirm the theoretical conceptualization of the same; however satisfaction is found to impact behavioral loyalty only if it is mediated through the attitudinal components. Therefore no direct relationship between satisfaction and behavioral loyalty exist as per empirical findings. Hence the following set of hypothesis is being considered for the purpose of the present study:

H7: Customer satisfaction has a positive effect on cognitive brand loyalty.

H8: Cognitive brand loyalty has a positive effect on affective brand loyalty.

H9: Affective brand loyalty has a positive effect on conative brand loyalty.

H10: Conative brand loyalty has a positive effect on behavioral brand loyalty.

H11: Behavioral brand loyalty will positively impact word of mouth.

5.7. TABULATED REPRESENTATION

Table 4.1 summarizes the hypothesized relationships between the constructs used in the study. The hypotheses and sub hypotheses from H1 to H6 investigates the relationship between the service value dimensions, customer satisfaction, attitudinal and behavioral loyalty and word-of-mouth. Hypotheses H7 to H11 examines the satisfaction-loyalty cascade.
Table 5.1

Hypotheses Summary

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<th>Customer Satisfaction</th>
<th>Cognitive Loyalty</th>
<th>Affective Loyalty</th>
<th>Conative Loyalty</th>
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