CHAPTER III CONCEPTUAL FRAMEWORK OF PERCEPTION, EXPECTATION AND SATISFACTION

The consumption evaluation process is a confirmation/disconfirmation paradigm whereby consumers compare their expectations for product performance with the perceived product performance and notice whether a difference (expectancy disconfirmation) exists. Whereas confirmation occurs when a product performs as expected, contributing to satisfaction or indifference (neutral feelings), positive or negative disconfirmation arises from discrepancies between prior expectations and actual performance, respectively leading to satisfaction and dissatisfaction.

3.1 PERCEPTION

The perceived quality construct developed by Parasuraman et al., (1988), with its service quality instruments, is defined as the difference between perceptions and expectations. Perception is the “process by which an individual receives, selects and interprets stimuli to form a meaningful and coherent picture of the world” (Schiffman et al., 2007). In customer satisfaction and service quality dimensions, perceptions are defined as the consumer’s judgment of the service organization’s performance.

Boulding and Kalra (1993) in their process model of service quality, conceptualized customers’ perception of each of the dimensions of service quality as a cumulative construct. This means that the perception is updated each time a customer is exposed to the service. They argue, therefore, that customer perceptions are not only influenced by expectations of the service but also by the decency of the service encountered. Boulding and Kalra (1993) stated that it is important to understand the type of expectation of the customer, in order to manage the perception of service quality and satisfaction. The analysis of student perceptions of study outcomes asserts that the length of experience with an educational service can influence student perceptions. Even
if the customers experience an identical service, the cumulative perception would be different. This is because of differences in their expectations. The main argument is that a person’s expectations can change the way he or she perceives reality.

The customer perceptions of post consumption performance are: appraisals and feelings about a chosen alternative. Consumers react to it on an objective (product or service-attribute) level as well as on a subjective (emotional) level (Neelamegaham and Jain, 1999). Diversity of perceptions is one of the most fundamental concepts in intercultural communication (Limaye, 2000).

According to Jandt (1995), perception is unique to each person; it begins a three-step process of selection, organization and interpretation. It has also been found that perceptions differ due to physical environment of the service settings (Wakefield and Blodgett, 1999), cultural background (Limaye, 2000), and differences in gender (Lin et. al., 2001; Ndhlovu and Senguder, 2002). These indicate that a clear understanding of how perceptions are formed is critical to any service business as it facilitates formulation of strategies to manage customer perceptions of service performance.

The evaluation of the quality and performance of a service can take place only after experiencing or consuming because customers have limited tangible pre-choice cues. The perceptions formed during this evaluative process are key indicators of customer satisfaction or dissatisfaction (Halstead et. al., 1994).

3.2 EXPECTATIONS

Various personality and situational factors may affect the consumer’s expectations of a product’s performance (Day, 1977). Expectations are based upon prior experience with the product, word-of-mouth
endorsements/criticisms and/or the marketing efforts of companies (Woodruff et. al., 1983; Laufer, 2002). Whether a particular item was purchased because of its presumed superior functional performance or for some other reason, consumers have some level of expected performance in mind, ranging from quite low to quite high, regarding the acquired appliance (Hawkins et. al., 2001). Expectations are as beliefs or predictions about a product’s expected performance. It can be termed “anticipated performance” or “what performance will (probably) be” (Laufer, 2002).

Woodruff et. al., (1983) suggest that consumers often have experiences beyond the product that they have actually purchased and used. For instance, experiences with various products and brands within the product class and comparable use situations. This may cause them to form different kinds of norms or standards, instead of expectations, that can be used to evaluate perceived product performance. However, these norms are constrained by the consumer’s experiences with real products and brands and are therefore unlikely to be unachievable ideals. Using the confirmation / disconfirmation paradigm, expectations are theorized as the standard or baseline for evaluating the quality of product performance (Chen et. al., 1999).

Expanding the base of experiences to include other products, means that consumers will probably go through a sequence of judgments leading to the choice of a standard for evaluating perceived product performance (Woodruff et. al., 1983). Whereas the confirmation/ disconfirmation paradigm limits comparison to experience with one product, the experience-based norm approach takes into consideration consumers’ past experience. Therefore, expectations and experience-based norms are used frequently as the point of reference (standard of comparison) against which product performance is evaluated (Woodruff et. al., 1983; Chen et. al., 1999).
Predictive expectations, which have their origin in expectancy-value theory (Tolman, 1932), have been defined as consumer predictions about the outcome of a transaction or interchange (Oliver, 1980), estimates of the anticipated performance level (Prakash, 1984), the most likely performance of the product (Tse and Wilton, 1988), finally, the consumer’s prior beliefs about the future performance or attributes of a product (Ngobo, 1997), and pre-purchase cognition about the product performance (Park and Choi, 1998). In short, these conceptualizations adopt “anticipation” as a central idea, which allows to define the expectations as the product performance anticipated by the consumer.

The theory of attitude formation proposed by Zajonc (1968) postulates that, the mere exposition of the individual to a stimulus or an object enhances attitude towards it. The repeated encounters with a service probably enhance the user expectations of a future encounter. Individuals with a high familiarity tend to polarize their inferences and evaluations of the stimulus compared to individuals with a low familiarity (Peracchio and Tybout, 1996; Soderlund, 2002). The consumer’s past experience will influence positively in their expectations of a future episode (Hoffman et al, 1997; Oliver et al, 1999). On the other hand, Soderlund (2002) suggests that a high level of familiarity leads to a more elaborated cognitive structure, and therefore, to a different frame for evaluations compared to a low level of familiarity.

The close relationship between image and expectations is that, in view of the high uncertainty caused by the intangibility of services, the image of the provider acts as a signal of the true capabilities of the company (Weigelt and Camerer, 1988). Gronroos (1990) considers the corporate image as the result of how the consumer perceives the firm, or in other words, their vision of the company. Corporate image facilitates the prior knowledge of consumers about service performance. The intangible nature of services may be perceived to be risky and uncertain. So, consumers seek information from a wide variety of
sources to reduce the risk and uncertainty of their future experiences, e.g. advertisements, brochures and promotional material (Murray, 1991). There is a generalized consensus about intangibility as a distinctive and essential characteristic of services. This characteristic may complicate the formation of expectations because users cannot perceive the tangible outcome of the service, and therefore, they cannot clearly form their expectations of a future encounter with the service (Bebko, 2000).

Consequently, users can evaluate easier the service before its use, and therefore, they can form more firmly their expectations of a future encounter with the service. The users’ interaction with the employees and physical installations of the company, an essential element to form corporate image (Gronroos, 1990), leads to a mental representation of the service that is closer to reality. Consequently, users can anticipate more accurately the service performance.

3.3 SATISFACTION

Swan and Combs (1976) were among the first to argue that satisfaction is associated with performance that fulfils expectations, while dissatisfaction occurs when performance falls below expectations. Poisz and Von Grumbkow (1988) view satisfaction as a discrepancy between the observed and the desired. Early concepts of satisfaction have typically defined satisfaction as it post choice evaluative judgment concerning a specific purchase decision (Oliver and DeSarbo, 1988; Churchill and Surprenant, 1992). (Yi, 1990) based on Westbrook and Reilly ‘value-percept disparity theory’ developed response to the problem that consumers could be satisfied by aspects for which expectations never existed. The most widely accepted conceptual framework in which satisfaction is a function of disconfirmation, which in turn is a function of both expectations and performance (Oliver, 1997). The disconfirmation paradigm in process theory provides the grounding for the vast majority of
satisfaction studies and encompasses four constructs of expectations, performance, disconfirmation and satisfaction (Caruana et al., 2000). There are two principal interpretations of satisfaction indicated as process and an outcome (Parker and Mathews, 2001). The value-percept theory views satisfaction as an emotional response triggered by a cognitive-evaluative process (Parker and Mathews, 2001). In other words, it is the comparison of the “object” to one's values rather than an expectation.

Satisfaction should be viewed as a judgment based on the cumulative experience made with a certain product or service rather than a transaction-specific phenomenon (Wilton and Nicosia, 1986). Traditional models implicitly assume that customer satisfaction is essentially the result of cognitive processes; new conceptual developments suggest that affective processes may also contribute substantially to the explanation and prediction of consumer satisfaction (Westbrook and Oliver, 1991). Customers want a meeting between their values (needs and wants) and the object of their evaluations (Paker and Mathews, 2001). In recent past, renewed attention has been focused on the nature of satisfaction with or without emotion and fulfillment (Parker and Mathews, 2001).

The contrast theory (Hovland et al., 1957; Anderson, 1973) postulates that when expectations are not matched by actual product performance, consumers will magnify or exaggerate this discrepancy due to the contrast or surprise effect that is generated. According to assimilation theory (Sherif and Hovland, 1961), consumers experience a psychological conflict, if they perceive a discrepancy between their expectations and their perception of the consumption experience. Consumers will adjust their perception to become more consistent with their expectations and minimize the psychological tension (Anderson, 1973). Post-consumption evaluations are a function of disconfirmation of expectations (Oliver, 1977, 1997). Consumer satisfaction research requires a joint analysis of the structure i.e. content and dimensions
and the process i.e. antecedents and consequences (Singh, 1991). Therefore, consumer satisfaction is conceptualized as a consumer judgment incorporating cognitive and affective evaluations after their use or consumption experience. The expectation–satisfaction relationship requires a review of the function of expectations in consumer satisfaction judgments (Oliver, 1997). Consequently, post-consumption evaluations are a function of consumer expectations (Oliver, 1997).

In addition the nature of the expectation–satisfaction relationship may depend on several contextual and behavioural factors. So, user expectations may have different impact on the formation of satisfaction within particular contexts. Expectations may be more important when the product performance is ambiguous (Yi, 1993; Oliver, 1997). Nyer, (1996) stated that expectations may be more important when the product performance are unambiguous and the consumer is well experienced (Soderlund, 2002). So, users will reduce the psychological conflict after their experiences, and therefore, they will reinforce the choice.

3.4 CONSUMER DECISION MAKING PROCESS

Consumer decision-making has advanced multi-disciplinary theoretical and conceptual frameworks over time to interpret the complex process. The resulting models provide somewhat different views of the consumer's decision-making process. The well known and those representative of the broader perspective of consumer decision making include the Economic model, Passive model, Cognitive model and Emotional model (Lawson et. al., 1996; Schiffman et. al., 2001).

Economists are the first to develop comprehensive consumer models of decision-making seeking to understand the general economic system. These include contributions by Simon (1957); Arrow and Hurwicz (1972); and Keeny and Raiffa (1976). Micro and Macro economists’ develop alternative views of
consumers, though the fundamental assumptions remained the same. The economic theory of consumer decision-making behaviour is based on the basic assumption of maximizing satisfaction of wants and needs with the available scarce resources.

The passive model of consumer decision-making is different from the economic viewpoint as it is based on the belief that consumers are submissive to the self-serving interests and promotional efforts of marketers. In this context, consumers are perceived as impulsive and irrational purchasers, ready to yield to the arms and aims of marketers (Lawson et. al., 1996; Schiffman et. al., 2001).

The cognitive model views consumers as information processing systems, actively seeking products and services that fulfill their needs and enrich their lives. This model focuses on the processes by which consumers seek and evaluate information about selected products and services and accept that the consumer does not make economically rational decisions. (Schiffman et. al., 2001).

The emotional model follows the concept of consumer decision-making based on deep feelings and emotions or impulses. Such emotional purchase decisions place less emphasis on the search for pre-purchase information. The cognitive or problem solving model of decision-making has been identified at three levels - extensive problem solving, limited problem solving and routinized response behaviour (Howard and Sheth, 1969). This model borrows from learning-theory concepts to explain “brand-choice behaviour over time as learning takes place and the buyer moves from extensive to routinized problem-solving behavior” (Lawson et. al., 1996).

A more specific model of significance in explaining the consumer decision-making process is one developed by Engel, Kolat and Blackwell (1973). The EKB model (Engel, Kolat and Blackwell), incorporates both
products and services for high involvement decisions. The revised EKB model, known as EBM model (Engel, Blackwell and Miniard, 1986) explores the extended problem solving decision process for a high professional service.

3.5 SATISFACTION AND LOYALTY

Halstead (1989) proposes that the real value of measuring consumer satisfaction is the potential it creates to anticipate clients’ post-consumption responses. Therefore, it is necessary to understand the nature of consumer loyalty as well as the relationship between satisfaction and loyalty. Consumer loyalty is often recognized as being a strategic objective for companies (Reichheld, 1993; Oliver, 1999). Following Petrick and Sirakaya (2004), consumer loyalty is clearly a critical aspect for firms because it is more desirable, and less expensive, to retain existing customers than to seek new ones.

Commitment and consistency are two key constructs in consumer loyalty conceptualization (Oliver, 1997; Bloemer and De Ruyter, 1998). Furthermore, Oliver (1999) postulates four loyalty phases. First, consumers will be loyal in a cognitive manner (loyalty to information), second in an affective sense (loyalty to liking), later in a cognitive manner (loyalty to intention), and finally in a behavioural sense (action inertia). However, most studies focus on the cognitive phase of consumer loyalty, i.e. behavioural intention.

Repurchase intentions are therefore often used in marketing literature to analyze the relationship between satisfaction and loyalty of the consumer. Similarly, the consumer’s willingness to recommend the service, i.e. positive word-of-mouth, manifests his/her intention to continue a relationship with the company. Consequently, repurchase intentions and positive word-of-mouth are considered to be two important expressions of consumer loyalty (McDougall and Levesque, 2000; Bei and Chiao, 2001; Yoon and Uysal, 2005).
The satisfaction–loyalty relationship is thought to be non-linear because there are several factors that may intervene in this relationship. First, this relationship is weaker when consumers are less experienced and/or involved because they make judgments which are not elaborated on and of which they are not fully aware. Consequently, their satisfaction judgments will not necessarily lead to commitment (Bloemer and De Ruyter, 1998). Second, it may be strongly influenced by the personal characteristics of the customers, such as predisposition to variety seeking or by age and income (Homburg and Giering, 2001).

The hypothesised model based on literature review is indicated by the following relationships: Perception being a key variable is likely to affect purchase intention, expectation and customer satisfaction. Purchase intention is likely to impact expectation and customer satisfaction. Expectation if met is likely to lead to customer satisfaction and in turn customer loyalty.

In the opinion of the researcher no strong apriori relationship can be assumed and using multiple regression models alone may not be sufficient to establish the relationship. It needs to be proved by robust statistical analysis involving structure equation modeling.

Figure 1 – Hypothesised Model for Purchase Decision of Private Brands Men’s Apparel.
However the apriori relationship is not very strongly established in the opinion of the researcher. Therefore no apriori relationship can be assumed in the research ruling out using multiple regression models to prove the relationship which requires specification of independent and dependent variables. A robust analysis using structural equation modeling is suggested and followed in the analysis.

The following definitions are adopted for the present study.

**Perception:** It is a process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world. (Schiffman and Kanuk, 1996).

**Expectation:** A set of attributes and conditions buyers normally expect when they purchase a product. (Kotler et. al., 2007).

**Satisfaction:** A person’s feeling of pleasure and disappointment resulting from comparing product’s perceived performance or outcome in relation to his or her expectations. (Kotler et. al., 2007).

**Loyalty:** A commitment to re-buy a preferred product. (Kotler et. al., 2007).

**Purchase Intention:** It is the intention of the consumer to own the product or brand based on different stimuli offered by brand.