



How risky are services? An empirical investigation on the antecedents and consequences of perceived risk for hotel service



Jin Sun*

Department of Marketing, School of Business, University of International Business and Economics, Beijing 100029, PR China

ARTICLE INFO

Keywords:

Perceived risk
Company reputation
Face consciousness
Risk aversion
Word-of-mouth
Switching intention

ABSTRACT

Previous research does not systematically investigate the antecedents and consequences of perceived risk for services in emerging markets. The present research aims to fill this void in the literature and examines the determinants and consequences of consumer risk perceptions for an experience service, hotel service. The present research models the antecedents at both the firm (company reputation and perceived price) and individual consumer (risk aversion and face consciousness) levels, and the consequences comprise word-of-mouth communication and switching intention. Though perceived risk is a multidimensional construct, past research tends to operationalize risk narrowly as either performance or financial risk. The author overcomes this limitation by studying perceived risk at the component level, and examines psychological, social, performance and financial risks separately. The results of a survey on Chinese consumers who have purchased hotel service recently indicate that both firm-level and individual-level antecedents directly influence perceived risk. While psychological and social risks positively affect word-of-mouth, they do not have significant influence on switching intention. In addition, performance risk increases switching intention but decreases word of mouth. The author discussed the theoretical and managerial implications, and suggested future research directions.

© 2013 Elsevier Ltd. All rights reserved.

1. Introduction

Perceived risk is a major factor influencing consumer choice (Conchar et al., 2004; Grewal et al., 1994; Stone and Gronhaug, 1999). Marketers are interested in understanding what causes individuals to perceive risks when they purchase goods and services so that they can develop relevant strategies to reduce those risks and increase purchase probabilities. In this regard, previous research tends to examine the effects of prepurchase risk perceptions on consumer buying behavior for tangible goods (e.g., Sweeney et al., 1999). In comparison to products, the role of perceived risk is more salient for services due to greater intangibility (Boshoff, 2002; Cunningham et al., 2005; Laroche et al., 2004; Murray and Schlacter, 1990; Parasuraman et al., 1988; Völckner and Hofmann, 2007; Wu et al., 2013). However, previous research does not systematically investigate the antecedents and consequences of perceived risk for services. The present research aims to fill this void in the literature. The study models the antecedents of both nonpersonal risks (financial and performance) and personal risks in terms of both company- and individual-level factors, and examines their effects on customer word-of-mouth communication and switching intention.

Perceived risk and responses to risk differ across cultures (Keh and Sun, 2008). However, research examining perceived risk in emerging markets is scarce and predominantly in Western countries. Given the significant socioeconomic, demographic, and cultural differences between the Western world and emerging markets, it is “less than obvious that our established theories and empirical generalizations are applicable to [emerging] markets” (Burgess and Steenkamp, 2006, p. 338). Accordingly, China as the world's largest and fastest-growing emerging market provides an attractive setting to investigate perceived risk.

The present research contributes to the literature in three ways. First, this study examines the roles of company- and individual-level factors on risk perceptions, and their subsequent effects on word-of-mouth communication and switching intention. Second, even though perceived risk is a multidimensional construct, past research tends to operationalize risk narrowly as either performance or financial risk (e.g., Kleijnen et al., 2007; Wu et al., 2013). This research overcomes this limitation by examining four dimensions of perceived risk—psychological, social, performance, and financial risks. Finally, the empirical setting in China enables us to better understand consumer behavior in the fastest-growing and largest emerging market.

2. Research framework and hypotheses

The research framework linking the antecedents and consequences of risk perceptions is shown in Fig. 1. We model the

* Corresponding author. Tel.: +86 10 6449 4306.

E-mail address: [sunjin@uibe.edu.cn](mailto:sunj@uibe.edu.cn)

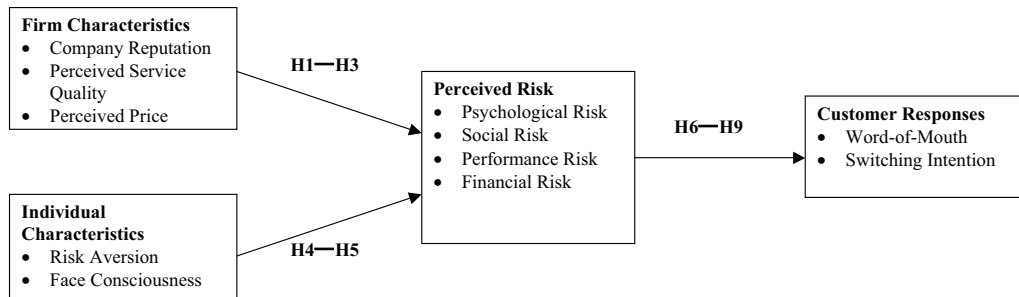


Fig. 1. The conceptual framework.

antecedents of perceived risk using both company- and individual-level factors. Word-of-mouth communication and switching intention are two key outcomes of perceived risk.

2.1. Perceived risk

The concept of perceived risk has come through infancy to adulthood and established a strong research tradition in the marketing arena (Stone and Gronhaug, 1999; Wu et al., 2013). Consistent with previous research, we define risk as the probability and adverse consequences of an uncertain outcome before and during purchase (Bart et al., 2005; Stone and Gronhaug, 1999; Grewal et al., 2007; Kushwaha and Shankar, 2013; Wu et al., 2013). This study examines four dimensions of perceived risk—social, psychological, financial, and performance risks (Bart et al., 2005; Keh and Sun, 2008; Kushwaha and Shankar, 2013; Laroche et al., 2004). Specifically, social risk is a loss such that the choice may result in embarrassment and loss of self-esteem before family or friends (Kushwaha and Shankar, 2013; Murray and Schlacter, 1990). Psychological risk is the harm to the consumer ego that a poor choice produces; it is also a potential loss of self-image or self-concept (Kushwaha and Shankar, 2013; Murray and Schlacter, 1990). Financial risk is a net financial loss to a customer, including the possibility of suffering a financial loss due to hidden costs, maintenance costs, or lack of warranty (Kushwaha and Shankar, 2013; Sweeney et al., 1999). Performance risk is the loss incurred when the service does not perform as expected (Kushwaha and Shankar, 2013; Sweeney et al., 1999). The inseparability characteristic of services implies that the consumer is present and personally involved during service production and consumption. As a result, the personal involvement with the service causes the social and psychological loss to be more salient for services than for goods (Laroche et al., 2004; Murray and Schlacter, 1990).

2.2. Firm-level characteristics and perceived risk

In this sub-section, the potential firm-level determinants that may influence consumer risk perception are discussed. This article considers three firm-level characteristics: company reputation, perceived service quality, and perceived price.

2.2.1. Company reputation and perceived risk

The literature suggests that consumers use signals or extrinsic cues (such as advertising and brand name or reputation) to infer product quality and refine their choices (Teas and Agarwal, 2000). Brown and Dacin (1997) demonstrate that what consumers know about a company can influence their beliefs and attitudes toward new products from the company. Several researchers also demonstrate that when corporate reputation is high, consumers place considerable trust in services and are more willing to purchase the services (Goldsmith et al., 2000; Wu et al., 2013), indicating that consumer risk perceptions differ based on company reputation. The

major characteristic of a service is that it is hard for consumers to evaluate the service quality before consumption, as they are not confident of their abilities to judge the performance of the service. If the service provider has a good reputation, consumers are likely to perceive it as having the ability to deliver the service well, which may reduce their perceived financial and performance risks. Higher company reputation tends to result in favorable word-of-mouth, and consumers will have more confidence in their choice. They are also more assured that others will agree with their choice and this feeling will lower social and psychological risks. Consequently, as an extrinsic cue, a service provider's positive reputation should lower consumers' psychological, social, performance, and financial risks.

H1: Company reputation negatively relates to (a) psychological risk, (b) social risk, (c) performance risk and (d) financial risk.

2.2.2. Service quality and perceived risk

A high level of perceived product quality may serve to mitigate the risk that accompanies the uncertainty of whether a product will satisfactorily perform its intended function (Shimp and Bearden, 1982). Sweeney et al. (1999) reveal the negative influence of retail service quality (functional quality and technical quality) on consumer prepurchase performance/financial risk perceptions. Wu et al. (2013) suggest that when perceived service quality of the hotel lowers, consumer overall risk perception increases. As consumers may find the outcome of services difficult to evaluate even after consumption, peripheral cues such as employees' service quality play an important role in forming such assessment. Along this line, we contend that if the service provider can deliver high quality service, it will decrease the level of perceived intangibility and outcome uncertainty, thereby lowering performance and financial risks. Besides, superior service quality can build good and close relationship with customers, thus leading to lowered psychological and social risk perceptions.

H2: Perceived service quality negatively relates to (a) psychological risk, (b) social risk, (c) performance risk and (d) financial risk.

2.2.3. Perceived price and perceived risk

Research on how perceived price influences perceived risk is extensive, particularly for products. For example, Grewal et al. (1994) maintain that price is an inherent component of perceived financial risk. Similarly, Sweeney et al. (1999) suggest that monetary price is likely to trigger greater levels of financial uncertainty. Völckner and Hofmann (2007) propose that as the price level increases, the risk associated with an incorrect choice increases. However, literature on how perceived price affects risk perception for services is a major void. Wu et al. (2013) shows that when a hotel provides a money-back guarantee, consumers tend to trust the quality of a service and have a lower perceived risk before a purchase. Thus, we posit that consumers who pay a higher price for a service are more likely to perceive greater losses when failure

Download English Version:

<https://daneshyari.com/en/article/1009815>

Download Persian Version:

<https://daneshyari.com/article/1009815>

[Daneshyari.com](https://daneshyari.com)