



# Service quality and price perception of service: Influence on word-of-mouth and revisit intention



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## ABSTRACT

Drawing on an overarching framework of marketing theory, this study develops and tests an integrated model of service quality that explicates the affective mechanisms through which service quality is associated with price perception of service (e.g., monetary price and behaviour price), word of mouth (WOM) and revisit intention. In a sample of 484 low-cost airline passengers, we found service quality to be related to increased price perception of service as a result of increasing passengers' WOM, which also creates success in this regard by increasing their revisit intention. Moreover, it is not surprising that there was a positive relationship between service quality and WOM mediated by perceived value of monetary price. The theoretical and empirical implications of these results are discussed.

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## 1. Introduction

The fast growth of the tourism industry in the Asia Pacific region not only has brought significant economic development in the region but also has led it to become the world's second largest tourist-receiving region (Horng et al., 2012; Lee and Chien, 2008). Given this global trend, the need for and evaluation of transportation are becoming hot issues in the tourism literature. One of the most active areas in this stream of research focuses on a particular type of experience: low-cost airline services (Han, 2013; Mason, 2001). This research suggests that experience of a low-cost airline service influences travellers' behaviour and future consumption intention, including word-of-mouth (WOM) communication (Saha and Theingi, 2009) and purchase intention (Escobar-Rodríguez and Carvajal-Trujillo, 2014). Given the high density and competition among worldwide low-cost airlines, assessing travellers' quality perception of individuals or organizations is becoming increasingly important because these perceptions represent a collective judgement and value evaluation that determines customers' future behaviour (Bruwer, 2014). For instance, Akamavi et al. (2015) note that low-cost airline (LCA) firm performance is influenced not only

by executives' marketing promotion decisions and resource allocations but also by numerous traveller behaviours that are beyond a firm's control, such as loyalty, price perception, service recovery, trust and satisfaction. Because of the importance of travelers' consumer experiences and the perceived value of product attributes, quality, and value, a person's intention to revisit a destination may be an important means of connection to positive memories; further investigation is needed into the validity, reliability and relationships among these constructs in predicting low-cost airlines travelers' intentions to revisit a destination (Petrick and Backman, 2002).

Service quality research tends to focus on the service perception of one focal actor and how it affects consequence behaviour important to this actor. For instance, research has examined the link between service quality and behaviour, including price perception (Cho, 2014; Ye et al., 2014; Zeng et al., 2011), satisfaction (Bansal and Taylor, 2015; Dubé, 2015), and loyalty (Bloemer et al., 1999; Orel and Kara, 2014), among other factors. Similarly, research has examined the benefits of service quality for tourism firms, including increased market opportunities (Jones and Haven, 2005; O'Neill and Charters, 2000) and increased firm performance (Williams and Buswell, 2003). In contrast, service quality and value evaluation are highly connected (Liljander and Strandvik, 1993) and involve the quality received for the price paid because of value perceived (Petrick, 2004). Furthermore, service quality and

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perceived value are cognitive responses to a consumer experience, with “service quality” referring to improving the quality of airline services to meet the needs and expectations of customers (Seo et al., 2015). “Perceived value” refers to the quality of service the consumers receive and the price they pay (Ye et al., 2014). Although the relationship between service quality and perceived value has been discussed in service-related studies, the influence of perceived value price on post-purchase perceptions in the context of low-cost airline service remains largely unknown until now.

While this single experience and value approach has helped us begin to understand the effects of service quality across a wide variety of service settings and behaviours, it does not consider the fact that in many settings, there are multiple perceptions of service quality that may affect a given behaviour. O’Connell and Williams (2005) suggested that the US and Europe first introduced airline service; however, following the fast growth of the Asian market, the increase in Asian low-cost carriers has exceeded that of the full service carriers, and they are becoming a potentially great world market. Recently, because of improved service quality and increased value perception of the low-cost airline by third parties, low-cost airlines are not limited only to the domestic traveler, but they also appeal to business travelers (Mason, 2001). Given the numerous outcomes that service quality affects, it is important to consider how the service quality that travellers or visitors perceived that might have priority or simultaneously jointly influence their behaviour. Um et al. (2006) suggested that service quality, customer value, and attractiveness should be considered together to consistently and theoretically explain a repeat visit to a destination. However, few attempts have been made in tourism academic studies to discuss how the service quality experienced by travelers may impact a given situation and revisit intention. One notable exception is a recent study by Jo et al. (2014) in which they find that service quality (staff and facility) resulted in influencing perceived value (emotional and functional) and satisfaction.

Our study makes a number of theoretical contributions to the service and tourism literature. First, we develop an integrated theoretical framework about the content and importance of service quality that guides our hypotheses, examining the direct and indirect direction and magnitude of travellers’ behaviour in a given context. Specifically, we argue that the attribute upon which service quality is built and travellers’ value expectations determine that service quality influences behavioural intention. This integrated theoretical framework allows us to make predictions regarding how the market accounts for the service quality of multiple influences on travellers’ price perception within a given context. Prior tourism or service research has generally failed to recognize and capture different directions of service quality within a single context. Thus, despite extensive service quality research, our findings suggest there is still much theorizing and testing that needs to occur to understand how service quality affects travellers’ perceived value and sequence of behavioural intention.

Second, based upon our theoretical framework, we demonstrate that the impact of price perception is influenced by word-of-mouth (WOM). WOM is the sharing of information and the consumer experience of service with others, which may significantly affect the consumers’ purchase decision-making process of Low Cost Carriers (LCC) service (Lerrthaitrakul and Panjakajornsak, 2014). Specifically, we predict that of the two types of price perception that will have mediating effects, analyst price perception (e.g., monetary price and behavioural price) will

have a dominating effect on travelers’ intention to revisit. Compared with travelers on full service carriers (FSCs), low-cost airline travelers have a lower utility of time but a primary focus on price perception (Barbot, 2006). Practically, the low-cost airline offers an attractive alternative method of travel for price-sensitive customers (Franke, 2004). In this study, we defined price-sensitive as high correlative with customers’ monetary price perception, which effectively connects the relationship between service quality and WOM. This finding is noteworthy because it suggests the need for additional theorizing regarding when and how a given price perception may matter more or less when creating an effective marketing strategy to attract customers. Third, the present study extended the existing knowledge of the traveler’s decision-making process to revisit a destination; the way in which service quality and price awareness differentially influence the intention to revisit has been grounded in a somewhat narrow conceptual lens that has not been examined intensively or directly in previous service and tourism literature. Specifically, existing explanations of service quality focus on measurement development that could otherwise be invested in tourism activities (Chang, 2009; Ryan and Cliff, 1997). As Chang (2009) argues, however, a more thorough investigation of mechanisms and the decision-making process that explain quality effects is necessary to advance the theory and management of service quality. Following this suggestion, we propose an explanation of service quality effects combining the marketing strategy grounded in an altogether theoretical perspective. Fig. 1 presents the research framework and the proposed hypotheses of this study.

## 2. Literature review and hypotheses development

### 2.1. Service quality and price perception

Recent tourism and service research regarding customers’ behaviour towards services has focused on the relationships between perceived service quality and emotional behaviour (Su et al., 2015). Perceived service quality is defined as the customer’s evaluation of the overall excellence or superiority of the service (Zeithaml, 1988). Meshack and Datta (2015) consider that a customer’s evaluation of the level of service quality and their satisfaction depends on the gap between their expectations and experience of actual performance levels. In the low-cost airline traveller context, perceived service quality is a measure of how well the service meets travellers’ expectations and understood their requirements. Other authors proposed that expectations should be influenced by personal needs, responsiveness, and empathy (Saha and Theingi, 2009). If perceived service quality is analogous to the concept of customer’s evaluation, then, according to Ye et al. (2014), service quality should be considered to involve a tradeoff of concepts between a customer’s valuation of the benefits of using a service and its price. A customer’s value perception depends on sacrifice (i.e., the monetary and nonmonetary prices associated with experiencing the service) and the customer’s frame of reference (Xia and Suri, 2014). Thus, it should be expected that customers’ assessments of service quality will influence and determine their price perception of the monetary price and non-monetary price (e.g., behaviour, attitudes, time, search costs, convenience and values evaluation) because price perception reflects customers’ actual experience with respect to a specific transaction and their overall evaluation of a service (Kashyap and Bojanic, 2000).

**Hypothesis 1.** *Service quality will be positively associated with monetary price.*

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