



Is perceived value more than value for money in professional business services?

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ARTICLE INFO

Keywords:

Perceived value
Functional value
Emotional value
Social value
Professional business services

ABSTRACT

It is well documented in the literature that customer perceived value plays an important role in understanding behavioral outcomes of business customers. However, most business-to-business research has focused on the functional dimension of perceived value, while consumer research has already advanced to a multidimensional value conceptualization. This study expands the concept of perceived value in the professional business services context to functional, emotional, and social perceived value. Based on signaling theory, we conceptualize and empirically support links between the three dimensions of perceived value and its antecedents (perceived corporate reputation, perceived corporate credibility, and perceived relationship quality) and outcomes (satisfaction and loyalty). The results of a survey involving 228 business clients reveal differences in links between value antecedents and the three perceived value dimensions: while perceived corporate credibility and relationship quality impact all dimensions, perceived corporate reputation impacts only perceived emotional value. Results of our study help in understanding how satisfaction and loyalty are viewed as perceived value outcomes; apart from functional value, emotional and social values play a significant role in the satisfaction and loyalty of professional business services clients.

1. Introduction

In a seminal paper on consumer perceptions of price, quality and value, Zeithaml (1988, p. 14) defined customer perceived value (CPV) as a “...customer's overall assessment of the utility of a product based on perceptions of what is received and what is given”. CPV has captured a considerable amount of interest in business-to-business (B2B) research (Eggert & Ulaga, 2002; Lapierre, 2000; Lindgreen, Hingley, Grant, & Morgan, 2012). Research findings indicated that perceived value complements business customers' satisfaction, and plays a vital role in various behavioral outcomes (Eggert & Ulaga, 2002). However, previous studies in a B2B setting have taken an undifferentiated approach to value and have mostly focused on a functional aspect of CPV. This study argues for advancement to a multi-dimensional conceptualization of perceived value in a B2B setting. By decomposing value into three distinct dimensions – functional, emotional and social value – it is more likely possible to disentangle the effect of perceived value with regard to different kinds of outcomes. Therefore, our research questions are as follows: (1) Does multi-dimensional conceptualization of perceived value apply in a B2B setting (in terms of

professional services)? (2) In what way do value antecedents determine the three CPV dimensions? (3) How are the three CPV dimensions related to satisfaction and loyalty as value outcomes?

Drawing from the theory of consumption values (Sheth, Newman, & Gross, 1991) and its operationalization in consumer research (e.g. Sweeney & Soutar, 2001), we propose and empirically test the extension of functional perceived value with emotional and social perceived value dimensions in B2B services. Previous in-depth reviews of perceived value research (e.g. Boksberger & Melsen, 2011) suggested that value is a multi-dimensional rather than a single, all-encompassing concept. This proposition is empirically validated in the business-to-consumer (B2C) setting, and recent B2B studies have shown that both emotional and social value perceptions, although neglected, play an important role in business relationships (Candi & Kahn, 2016; Prior, 2013). Consequently, business relationships could be decomposed to relationships between individuals in firms, where social and emotional value perceptions are manifested alongside functional ones. We adopt the multidimensional approach because we expect to show that value dimensions have differing impacts on attitudinal and behavioral outcomes. Although functional value is unarguably important, value

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outcomes (i.e. satisfaction, loyalty) might not depend only on functional value and adding emotional and social value can help to better understand and predict those outcomes. A multidimensional approach also assumes being able to provide more specific guidelines for managers (e.g. on which dimension of value to focus). In order to validate our proposal, we place the multidimensional CPV within the framework of intangible perceived value antecedents and value outcomes in the context of professional business services.

This study intends to make three contributions. First, we propose accounting for both the emotional and social perceived value of business clients in order to better understand the CPV determinants and outcomes. Namely, when CPV is conceptualized and operationalized as “value for money”, which assumes perceptions of a trade-off between quality and the price of the provider's services (e.g. Monroe, 1990), the fact that decisions are made by humans in an organization who are not always guided by rationality is largely overlooked. We note that emotional and social value are rarely analyzed in the B2B context in general, and are seen to be “...not as relevant in an industrial or business-to-business context as they might be in a consumer purchase” (Patterson, Johnson, & Spreng, 1997, p. 424). Yet, recent studies offered preliminary evidence that emotions play an important role in explaining business clients' behavior (Candi & Kahn, 2016; Leek & Christodoulides, 2012; Lynch & de Chernatony, 2004; Prior, 2013) stating that, in terms of complex industrial solutions “...there is direct consideration of social, emotional and functional aspects of customer perceived value in terms of the influences of specific activities” (Prior, 2013, p. 1193). Similarly, Candi and Kahn (2016) extended the benefit side of perceived value in business services by adding emotional and social dimensions to the functional dimension. Our study complements this work by offering a conceptual explication of CPV and its dimensions, and empirically testing the proposed conceptual framework. We therefore extend the CPV definition provided earlier and point out that business clients make trade-offs between perceived benefits and sacrifices on functional, emotional and social bases.

Second, we relate the three CPV dimensions with intangible value antecedents supported by signaling theory (Kirmani & Rao, 2000): (1) corporate reputation, known as a signal of unobservable service quality which helps in forming value perceptions through alerting “...another firm to its intentions, commitments and motives” (Herbig & Milewicz, 1995, p. 5); (2) credibility, encompassing trust and professionalism, that is related to consistency in acting in a promised way and in being trustworthy, which further serves as a signal and risk-perception reducer (Kirmani & Rao, 2000); and (3) relationship quality, that reflects communication and information sharing, and thus may contribute to perceived value assessment by reducing the information asymmetry level (Hansen, Samuelsen, & Silseth, 2008).

Finally, we relate the three CPV dimensions with satisfaction and loyalty as value outcomes. Previous research has frequently related CPV to these two outcomes (Eggert & Ulaga, 2002; Lam, Shankar, Erramilli, & Murthy, 2004; Patterson & Spreng, 1997). However, only functional value was applied to explain satisfaction and/or loyalty. We aim to extend this explanation by adding emotional and social perceived value as determinants of satisfaction and loyalty. In this way, we aim to answer the question of whether and how the CPV dimensions affect the satisfaction and loyalty of business clients in a professional services context.

The rest of the paper is organized as follows. We first describe the study's conceptual framework, explicating and defining the CPV dimensions, and relating them theoretically to the CPV antecedents and outcomes. We then operationalize and empirically test the developed framework, taking the advertising agency–client relationship as representative of a professional business services context. Finally, the results are presented and discussed together with the theoretical/managerial implications, as well as offering recommendations for further research.

2. Conceptual framework

Although numerous studies have examined the perceived value domain and scope, there is a lack of consensus among researchers on the conceptualization of CPV which makes research findings mixed and often inconsistent. Researchers still disagree on several important issues (Lin, Sher, & Shih, 2005) such as the distinction between “value” and “values” (Lindgreen & Wynstra, 2005; Sánchez-Fernández & Iniesta-Bonillo, 2007), the definition of CPV, as well as its operationalization (a uni-dimensional or multi-dimensional construct, formative or reflective, a ratio or difference between benefits and sacrifices, a first- or second-order construct, etc.). Nevertheless, the importance of CPV has been underlined by describing it as the key for achieving sustainable competitive advantage (Ravald & Grönroos, 1996).

In this study, we argue that CPV in business services should advance from simpler value conceptualizations (Graf & Maas, 2008; Lindgreen & Wynstra, 2005) to a more complex multidimensional conceptualization (Petrick, 2002; Sánchez-Fernández & Iniesta-Bonillo, 2007; Sheth et al., 1991; Sweeney & Soutar, 2001). Understanding of perceived value has progressed in the past 20 years, enabling a better and more in-depth comprehension of the concept. This is even more the case for service-based business relationships as opposed to goods-based business relationships because the service offer assumes a high level of participation on the part of business clients' representatives and the intangibility of services (Zeithaml, Parasuraman, & Berry, 1985).

The main basis for developing the multidimensional CPV concept is the theory of consumption values. Although primarily developed for explaining consumers' behavior, it can be applied to a “full range of product types... industrial goods, and services” (Sheth et al., 1991, p. 159). We adapt the functional, emotional, and social perceived value dimensions to the business services framework, and define CPV in business markets as *the perception of the functional, emotional, and social benefits and sacrifices related to a service provider's offering as recognized by key decision-makers in the client's organization*.

Consumption values theory (Sheth et al., 1991) in its original format explains why consumers make choices and how they behave. It has already been applied to multidimensional conceptualization of perceived value in the B2C setting (Sweeney & Soutar, 2001). Recent studies extended this framework to business markets, having conceptualized benefits, as one component of value, in business services as functional, emotional and social benefits (Candi & Kahn, 2016). We make a further extension building upon benefits and defining perceived functional, emotional and social value. When it comes to the extension to emotional and social value dimensions, we build on related expectancy-value theory that stresses “...the temporal, attributional and emotional determinants of deliberative choice behaviors” (Kanfer, 1990, p. 82). Attributes assuming social approval and emotions are affecting value perceptions and ultimately shaping the purchase behavior of business clients.

The *functional value dimension* is the most commonly explored perceived value dimension in business services relationships. It assumes economic and monetary benefits and costs, and that the perception is created after a trade-off between the two is made (Anderson, Jain, & Chintagunta, 1993). Utility of choice (taken from the field of economics) and means-end theory serve as justifications for this dimension in the general theory of consumption values (McFadden, 1986; Zeithaml, 1988). Two of the most prominent components of functional value are quality and price of goods/services (Eggert & Ulaga, 2002; Lapierre, 2000; Lindgreen & Wynstra, 2005; Ravald & Grönroos, 1996; Ulaga & Eggert, 2001). We adapt Sweeney and Soutar's (2001) definition of explaining functional value as *the utility derived from perceived quality, a perceived reduction in short- and long-term costs, and the expected performance of service offers and processes for business client firms*.

Emotional value is neglected in business research with the underlying notion that organizations are rational formations that can only assess functional value elements. We disagree with this reasoning as CPV is

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