Journal of Retailing and Consumer Services 44 (2018) 214–221

Contents lists available at ScienceDirect

Journal of Retailing and Consumer Services

journal homepage: www.elsevier.com/locate/jretconser

How service quality and outcome confidence drive pre-outcome word-of-mouth

Kemefasu Ifie[a,*], Antonis C. Simintiras[b], Yogesh Dwivedi[b], Vasileia Mavridou[b]

[a] School of Business and Economics, Loughborough University, Loughborough LE113TU, United Kingdom
[b] School of Management, Swansea University, Singleton Park, Swansea SA2 8PP, Wales, United Kingdom

ARTICLE INFO

Keywords:
Word-of-mouth
Outcome confidence
Service quality
Recommendations
Service outcome

ABSTRACT

Existing research on word-of-mouth (WOM) referrals has rarely considered what drives consumers to engage in pre-outcome WOM (i.e., referrals before they have experienced the final service outcome). This study argues that WOM behavior that predates the service outcome is driven by the interplay between present experience (perceived quality of the service process) and anticipations of the future outcome (outcome confidence). Drawing upon perceived risk theory, the study explores how outcome confidence and service process quality independently predict WOM behavior and how outcome confidence moderates the impact of process quality on WOM behavior. We investigate these issues with customers of a driving school and use a multilevel modelling approach to test the hypotheses.

The results show that consumers with higher levels of outcome confidence are more willing than low-confidence consumers to transmit pre-outcome WOM. However, the study also finds that outcome confidence compensates for process quality such that the effect of process quality diminishes when outcome confidence is high. The key managerial implication of the study's finding is that managers can tactically use outcome confidence to compensate for low levels of process or employee service quality.

1. Introduction

Previous studies have indicated that one of the most important sources of new customers for small firms is recommendations from existing customers (Moriarty et al., 2008). Many small businesses do not have formalized promotional campaigns and rely instead and to a greater extent than larger organizations on word-of-mouth communications (WOM) to develop their customer bases (Lee et al., 2015; Simpson et al., 2006). For such businesses, relying on WOM referrals is reasonable as it is more matched to their resources. Referrals rarely incur additional direct costs and lead to a slower build-up of business which most small businesses prefer since large increases in demand may be difficult to manage (Carson et al., 1995). Marketers and businesses also realize the importance of WOM, with regard to its implications for trust and associated outcomes (e.g. Marchand et al., 2017; Sweeney et al., 2014; East et al., 2008). Consequently, researchers continue to investigate the factors that motivate WOM because of its known credibility.

The drivers of WOM have been examined from a variety of perspectives (Baker, Donthu and Kumar, 2016; Wien and Olsen, 2014; Sweeney et al., 2008). Antecedents of WOM activity identified in previous studies include organizational characteristics, product characteristics, customer service provider attributes, customer attitudes towards the provider or product, characteristics of the customer and customer to customer interactions (e.g., Markovic et al., 2018; Singh et al., 2016; Berger, 2014; Berger and Schwartz, 2011; Anderson, 1998; De Matos and Rossi, 2008; Wangenheim and Bayón, 2007; Paridon et al., 2006; Brown et al., 2005; De Bruyn and Lilien, 2008; Libai et al., 2010). With specific reference to recommendations and referral behavior, in addition to antecedents such as rewards and incentives (Söderlund and Mattsson, 2015; Jin and Huang, 2014; Schmitt et al., 2011;), trust and perceived value (Stein and Ramaseshan, 2015), one of the key drivers of service referrals often discussed in the literature is service quality (Stein and Ramseshan, 2015; Bolton and Drew, 1991; Gounaris et al., 2007; Wang, 2009; Harrison-Walker, 2001; Zeithaml et al., 1996).

Service quality is often conceptualized as having process and outcome dimensions (Grönroos, 1985), which are judged independently by customers. Whereas process quality is related to the "how" part of the service delivery, outcome quality relates to evaluations of the result of a

---

* Corresponding author.
E-mail addresses: k.ifie@lboro.ac.uk (K. Ifie), a.c.simintiras@swansea.ac.uk (A.C. Simintiras), y.k.dwivedi@swansea.ac.uk (Y. Dwivedi), Vasileia.mavridou@gmail.com (V. Mavridou).

https://doi.org/10.1016/j.jretconser.2018.07.002
Received 23 June 2015; Received in revised form 2 July 2018; Accepted 2 July 2018
0969-6989/ © 2018 Elsevier Ltd. All rights reserved.

service transaction or relationship. Although customers do judge process and outcome dimensions independently, for many services, as far as WOM is concerned, the expectation is that customers generally recommend or refer others when a final outcome for a service interaction has been obtained. For everyday services such as hair stylists, restaurants, dry-cleaning etc., this is likely to be the case. However, in some service categories, for instance, building services, estate agency services, legal services, design services etc., the service interaction lasts for a long period before a final outcome materializes. If conventional wisdom is applied, firms selling such products may wait for months for a new customer to make referrals or recommendations. However, there is evidence, (e.g. from review sites), that some customers do make referrals and recommendations even when they are yet to use a product sufficiently or complete a service interaction (we refer to these type of referrals as pre-outcome WOM). This leads to an important question: “what factors might account for differences among customers in their engagement in pre-outcome WOM?”

Customers’ engagement in pre-outcome WOM has some potential implications for firms. One advantage is that such recommendations can speed up the adoption process for a new firm, product or service. Secondly, customers’ engagement levels may be high during the service interaction and fall of after the service outcome has been achieved. Extant research suggests that customers may forget or lose interest once they cease to be customers (Berger and Schwartz, 2011), especially if they are unlikely to buy or use the service again. Indeed, many of such long-term services often tend to be services that are rarely purchased e.g., legal services, estate agent services etc. Consequently, because customer recommendations and referrals are essential for successful customer acquisition strategies for many businesses (de Vries, Gensler and Leeflang, 2017; Van den Bulte et al., 2018; Schmitt et al., 2011; Wirtz et al., 2013), firms who sell long-term and/or once-in-a-lifetime services may be particularly interested in understanding how to leverage customers for pre-outcome WOM referral behavior.

The aim of this study, therefore, is to investigate drivers of customers’ engagement in pre-outcome WOM referrals. This is a largely neglected area as the majority of research on customer WOM focuses on customers who have already experienced the outcome of the service they are recommending. This study draws upon perceived risk theory to suggest that, customers rely, in addition to their current perceptions of service quality, on their confidence that the service outcome will be favorable, i.e., outcome confidence. While the effect of achieved outcomes on WOM has been researched severally, the role of outcome expectations has not received as much attention. The expectation is that outcome confidence will directly and positively influence customer WOM referral behavior. Furthermore, the extent to which customers’ service quality perceptions translate into pre-outcome WOM referrals may vary systematically with their levels of outcome confidence. Consequently, this study empirically assesses how outcome confidence interacts with employee service quality to drive WOM referrals. This study proposes a compensatory effect (Semrau and Hopp, 2014), such that as outcome confidence increases, the effect of perceived service quality on WOM behavior diminishes.

The context for this study is motoring schools in Greece. Customers in these schools generally register with a driving school and are assigned a designated instructor who are employees of the school. Customers of motoring schools often only buy the service once in their lifetime. This means that variables related to previous experiences or interactions with the service (commitment, loyalty, etc.) do not come into play. Furthermore, the final outcome of the service (i.e., passing the test) has not been realized for current customers. Thus, it is an appropriate setting to assess outcome confidence. Finally, the service outcome is binary (i.e., pass or fail) which enables us to focus on outcome confidence without taking into account the potential variability of service outcomes.

At the conceptual level, the study adds value to the existing literature in two ways: first, the study explicates the role that confidence in goal achievement plays in stimulating WOM behavior and second, by showing how the interplay between present experience (employee service quality) and anticipations of the future (outcome confidence) contribute to in-service or pre-outcome WOM. From a practice perspective, if outcome confidence plays a role in WOM referral behavior, then service providers could implement strategies to increase the outcome confidence of their current customers.

The rest of the paper is structured as follows. In the next section, the literature review on the constructs of interest in this study is provided. After this, the research hypotheses are presented. This is followed by a discussion of the research methodology. Following this, the study's findings are presented and a discussion of the theoretical and managerial implications is provided. Finally, the limitations of the study and directions for further research are offered.

2. Theoretical background and hypotheses development

In this section, a brief discussion on perceived social risk, which is the theoretical foundation for the study's hypotheses, is provided. Following this, the three hypotheses are presented.

2.1. Perceived social risk

Bauer (1960) was one of the earliest to focus attention on the perceived risk construct. In a seminal paper, he claimed that consumer behavior involves risk because the consequences of product usage cannot be anticipated with certainty, and that some consequences of product usage are likely to be unpleasant. Perceived risk reflects the notions of uncertainty and consequences, where increasing levels of uncertainty and/or an increasing possibility of greater associated negative consequences results in higher perceived risk (Oglethorpe and Monroe, 1987). Several types of risk are identified in the marketing literature, including performance, convenience, financial, physical, social, and psychological (Murray, 1991).

Perceived risk has been used widely in the study of many forms of consumer behavior such as adoption of innovation, internet usage and product purchases. Recently, studies have related the tendency to transmit WOM communication with perceived social risk (e.g., Balaji et al., 2016; Eisingerich et al., 2015; Wien and Olsen, 2014). WOM referral behavior is often a public consumer activity and is expected to be associated with a certain degree of social risk. The transmission of WOM involves a risk because the recipient of a referral or recommendation might hold the WOM transmitter accountable if wrong advice is provided (Gatignon and Robertson, 1986). This notion is confirmed by Mazzarol et al. (2007) who find that consumers may be reluctant to offer WOM in risky situations, such as for expensive products, in case the receiver finds the advice to be poor and by Eisingerich et al. (2015) who suggest that differences observed in consumers’ referral behavior on social media versus face-to-face relate to perceptions of social risk. One other factor that might increase this risk is the lack of complete information about the service or the service provider. This paper explores WOM transmission under one such risky situation: WOM referral before the service outcome has been obtained.

3. Hypotheses development

In the sections that follow, the three hypotheses are provided. These hypothesized relationships are presented in Fig. 1.

In presenting the three hypotheses, it is important to briefly highlight some of the key general findings emanating from studies that address the contribution of process and outcome dimensions of service to customer evaluations and behavioral outcomes. First, customers judge process and outcome aspects of service independently (Patterson, 2016; Grönroos, 1985; Dabholkar and Overby, 2005; Yang et al., 2012;). Second, both process and outcome contribute to overall service quality perceptions and other customer evaluations and actions such as

Download English Version:

https://daneshyari.com/en/article/7433306

Download Persian Version:

https://daneshyari.com/article/7433306

Daneshyari.com