

## RE-SPECIFICATION OF THE THEORY OF CONSUMPTION VALUES

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### ABSTRACT

The theory of consumption values (TCV) dominates conceptualisations of consumer perceived value. The TCV comprises five dimensions that current studies treat as separate constructs when examining the functional relationships of value with its antecedents and outcomes. Grounded on psychological literature this study challenges the independence of the dimensions of the TCV and proposes an alternative conceptualisation that includes structural interrelationships between the five dimensions of the TCV.

### INTRODUCTION

The view that value is a “critical variable” in marketing has gained considerable acceptance amongst researchers and practitioners (Grönroos 2006: 398). This position is clearly articulated by Holbrook (2005: 46) who contends that accepting the exchange axiom as the foundation of normative marketing theory (Hunt, 1991) leads to customer value as “the basic foundation for everything we do in marketing”.

An early and still widely quoted definition of value is provided by Zeithaml (1988: 14) who, on the strength of her exploratory research, states, “Perceived value is the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given.” This leads to the notion of value as a composite of the ‘give’ and ‘get’ components, whereby value is perceived as the outcome of the ‘give-get’ trade-off. ‘Get’ describes the benefits/utility received through the purchase or consumption of some product, encompassing both its core, intrinsic attributes/benefits as well as extrinsic aspects related to its purchase/ownership and consumption/use. ‘Give’ represents the sacrifice that consumers are prepared to make in order to obtain the product, encompassing both monetary costs and non-monetary costs. This delineation of value is widely accepted amongst researchers across the b2c and b2b domains and represents an important departure point in the study of the subject matter (Patterson and Spreng 1997; McDougall and Levesque 2000; Parasuraman and Grewal 2000; Eggert and Ulaga 2002; Kleijnen *et al.* 2007).

The conceptualisation of value is still under debate, specifically whether it should be treated as a uni-dimensional or multi-dimensional construct (Sánchez-Fernández and Iniesta-

Bonillo 2007). On the strength of recent reviews by Lin *et al.* (2004) and Sánchez-Fernández and Iniesta-Bonillo (2007), we align with the view that treating consumer value as a multi-dimensional construct dominates current research. Focusing on multi-dimensional conceptualisations, our analysis concurs with results reported by Sánchez-Fernández and Iniesta-Bonillo (2007) and Sánchez-Fernández *et al.* (2009) that these can be grouped into the following four categories, each representing a different but not mutually exclusive approach: hedonic versus utilitarian value, Sheth *et al.*'s (1991) theory of consumption values (TCV), Holbrook's (1994) typology of value, and the axiological system of value. With the largest number of applications TCV dominates empirical studies in the b2c value domain.

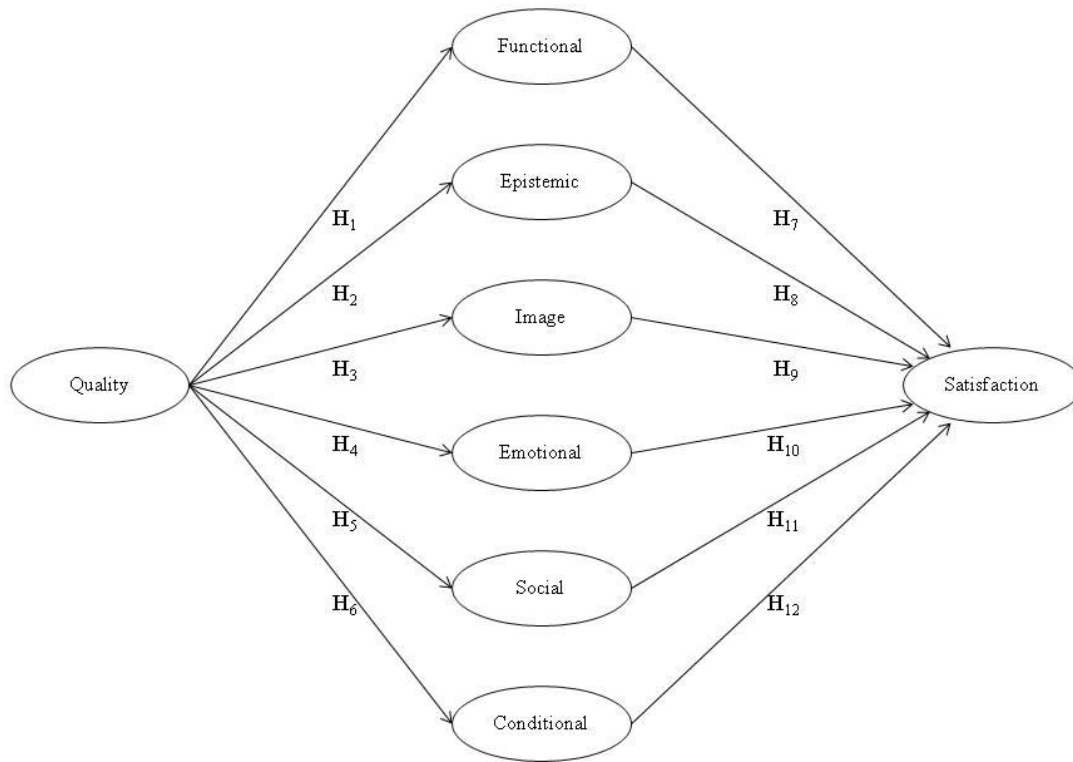
Informed by extensive examination of literature within the consumer behaviour, marketing, economics, psychology and sociology domains, Sheth *et al.* (1991) identify five values (or dimensions of value) that influence consumers' choices; collectively these values represent the TCV. Functional value derives from a product's intrinsic capacity for functional, utilitarian or physical performance, i.e. its ability to fulfil the function it is created to provide. Social value is defined as the perceived utility acquired from a product's association with a particular demographic, cultural or social group. Emotional value associates with extrinsic aspects of consumption in terms of a product's ability to arouse feelings or affective states. Epistemic value is defined as a product's ability to arouse curiosity, provide novelty or satisfy a desire for knowledge. Lastly, conditional value derives from a product's ability to provide temporary functional or social value in a specific situation or context and consequently is contingent on the particular circumstances facing a consumer at the point of choice. The above indicate that the TCV deals mainly with the 'get' component of value.

Three fundamental propositions underpin the TCV: (1) consumer choice is a function of multiple consumption values; (2) the values make differential contributions in the choice situation, and (3) the values are independent of each other. Thus, all or any of the consumption values can influence a decision and can contribute additively and incrementally to choice; consumers weight the values differently in specific buying situations, and are usually willing to trade-off one value in order to obtain more of another. This is reflected in related applications that treat the dimensions of TCV as separate constructs (LeBlanc & Nguyen, 1999; Ledden *et al.*, 2007; Williams & Soutar, 2009). However, there are strong theoretical arguments to the contrary and, although lacking theoretical justification, Pihlström and Brush (2008) provide evidence to support the existence of interrelationships between the dimensions of the TCV. The need to account for interrelationships between the five dimensions of the TCV is the focal interest of this study.

## **ANALYTICAL FRAMEWORK**

The base model of this study is presented in Figure 1. The five dimensions of the TCV are augmented by image on the strength of empirical evidence (Patterson & Spreng, 1997; LeBlanc & Nguyen, 1999; Ledden *et al.*, 2007) and suggestions by Kotler *et al.* (2009). Extant literature confirms the significant positive impact of quality on perceptions of value (Agarwal & Teas, 2001; Chen & Dubinsky, 2003; Kleijnen *et al.*, 2007), thus hypotheses H<sub>1</sub> to H<sub>6</sub>. In addition there is unequivocal support of the significant impact of the dimensions of the TCV on satisfaction (Sweeney and Soutar, 2001; Wang *et al.*, 2004; Pura, 2005); consequently, H<sub>7</sub> to H<sub>12</sub>.

Figure 1: Base Model



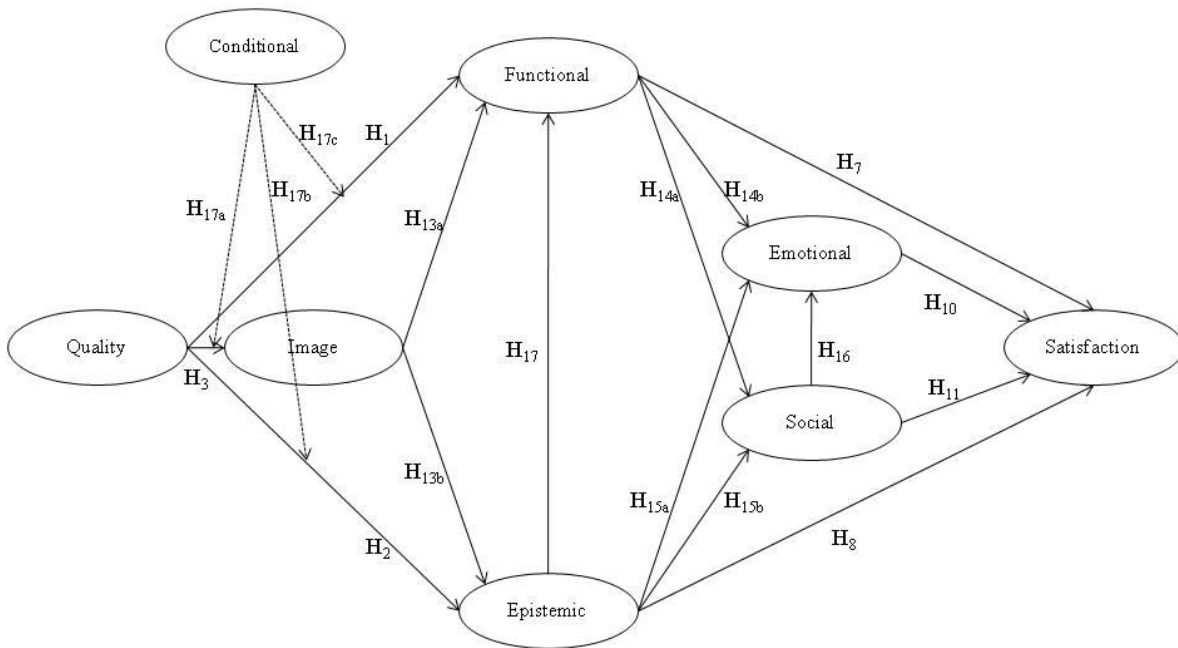
A revised or competing model that depicts re-specification of the relationships in the base model is presented in Figure 2. Grounded on arguments put forward by Beverland and Lockshin (2003) we contend that image is predominantly an external contributor to perceptions of value and consequently, precedes the other dimensions of value. Therefore, we suggest that the impact of image on satisfaction is fully mediated by the other dimensions and thus we retain H<sub>3</sub> but not H<sub>9</sub>. Despite empirical evidence of differential and context specific relationships between the remaining dimensions and satisfaction, for completeness purposes H<sub>7</sub>, H<sub>8</sub>, H<sub>10</sub> and H<sub>11</sub> are retained. Delineation of the remaining dimensions into cognitive (functional and epistemic) and affective (social and emotional) guides us to literature in the domain of psychology where we find a long standing debate regarding the relationship between, and temporal order of, such processes. In a recent paper, Storbeck and Clore (2007: 1213) review the related evidence and suggest that “cognitive processes are necessary for the processing, elicitation and experience of emotions”, thus implying an order effect. Consequently, we propose that development of cognitive perceptions precedes that of emotional dimensions of value and the resulting hypotheses are:

H<sub>13a,b</sub>: There is a positive relationship between image and the functional and epistemic dimensions of value.

H<sub>14a,b</sub>: There is a positive relationship between functional and the social and emotional dimensions of value.

H<sub>15a,b</sub>: There is a positive relationship between epistemic and the social and emotional dimensions of value.

Figure 2: Revised Model



Concerning functional relationships between quality and the cognitive and affective dimensions of value, reference to arguments and empirical evidence provided by Johnson and Grayson (2005: 502, 505) lead us to propose that quality has a positive impact on the cognitive but not on the affective dimensions and therefore we retain  $H_1$  and  $H_2$ . In order to achieve the desired epistemic and functional benefits, those enrolled in the specific course need to fully integrate with fellow students and participate in group work. Group activities involve active social interface and result in the development of emotional bonds. Thus we propose that:

$H_{16}$ : There is a positive relationship between the social and emotional dimensions of value.

Given the research domain of this study (i.e., education) it is logical to expect that functional value can only be realised through the development of knowledge and skills that are related to epistemic value. This implies that:

$H_{17}$ : There is a positive relationship between the epistemic and functional dimensions of value.

According to Sheth *et al.* (1991: 69) “The conditional value of an alternative is derived from its capacity to provide temporary functional or social value in the context of a specific and transient set of circumstances or contingencies.” These are characteristics associated with analytical moderators, and consequently we propose that conditional value is not part of the structure of the get component of value, but instead moderates the impact of quality on the dimensions of value.

H<sub>17a,b,c</sub>: Conditional value moderates the relationships between quality and the image, functional and epistemic dimensions of value

## METHODOLOGY

The target population was students enrolled for a postgraduate degree in a UK business school. The purpose of the study was explained and 122 usable questionnaires were returned to a dedicated point in the business school. The value dimensions are operationalised through scales developed specifically for the research population with their psychometric properties confirmed in previous studies (see Ledden *et al.*, 2007; Ledden and Kalafatis, 2010). A 7-point Likert scale anchored at “7=Very strongly agree” and “1=Very strongly disagree” is used. For the dimensions of quality (given the research domain, specifically service quality) we employ the sector specific scales proposed by Engelland *et al.* (2000) expanded through exploratory research and reference to Mai (2005). Accepting concerns raised by Peter *et al.* (1993) regarding calculation of difference scores between expectations and perceptions, measurement takes the form of a 7-point scale anchored in “1 = Very much poorer than expected” and “7 = Very much better than expected”. Satisfaction is treated as a concrete attribute (i.e., characteristic that is clearly understood and/or has universal meaning for respondents; Rossiter, 2002) and consequently is measured as a single item using the same Likert scale as for the dimensions of value. Based on guidelines provided by Jarvis *et al.* (2003) and Mackenzie *et al.* (2005), the dimensions of value are treated as reflective latent variables and service quality as a formative latent variable.

## ANALYSIS

The data are analysed using Partial Least Squares (PLS) and specifically, the PLS GRAPH software developed by Chin (2003), with bootstrap resampling analysis of 500 sub-samples. In assessing the structural models we examine the R<sup>2</sup> values of the dependent variables and the significance and meaningfulness (i.e., whether greater than .20; Chin, 1998: xiii) of the pathways.

For reflective constructs, individual item reliability is assessed, and indicators that, (a) exhibit loadings with the intended construct of .70 or more, and (b) are found to be statistically significant are retained. For composite reliability the measure by Fornell and Larcker (1981) is employed with a benchmark of .70. Convergent validity is assessed by average variance extracted (AVE with a benchmark of .50; Fornell & Larcker 1981). For confirmation of discriminant validity the square root of each construct's AVE should be greater than its bivariate correlation with the other constructs in the model. Adopting recommendations by Mathieson *et al.* (2001) and Diamantopoulos *et al.* (2008) the independence of the indicators of the formative construct is assessed through collinearity analysis. The proposed higher order structure of service quality is tested using the repeated manifest variables approach reported in Wetzels *et al.* (2009). The results (not include here but available from the authors) support the proposed operationalisations and conceptualisations.

The solution presented in Table 1 indicates that, for the base model, with the exception of image the remaining constructs exhibit notable R<sup>2</sup> values. All structural relationships between service quality and the dimensions of value are confirmed (i.e., hypotheses H<sub>1</sub> to H<sub>6</sub> are supported). However, of the six dimensions of value only epistemic and emotional are significant determinants of satisfaction. Before formally testing for the moderating effects of

conditional value, we briefly present the solution related to the revised model (model - A) and compare the results with those in the initial model. The two models exhibit comparable explanatory powers in terms of satisfaction (i.e., non-significant change in  $R^2$ ). On the other hand, the revised model demonstrates significantly higher  $R^2$  values for the functional, epistemic, social and emotional dimensions of the TCV, and with the exception of the image to functional relationship the remaining hypothesised pathways are supported. We therefore conclude that the revised model represents an advanced conceptualisation to the one depicted in the initial model.

In order to test the moderating impact of conditional value the approach proposed by Sharma *et al.* (1981) is employed. Briefly, three structural models are constructed: one without the proposed moderation effects (i.e., conditional value) that acts simply as a reference point (revised model - A), one that introduces direct effects of the moderator on the other dimensions of value (revised model - B), and one that, in addition to the direct effects of conditional value includes all the interaction terms of the moderator (revised model - C). The introduction of direct effects of conditional value (revised model - B), (a) confirms the behaviour of the functional pathways in revised model - A, (b) makes only a marginal contribution to the  $R^2$  of the dependent variables, and (c) does not introduce significant and meaningful functional relationships. Notable differences are evident in the solutions related to revised models - B and C. The direct impact of quality on the image and epistemic dimensions of value and the functional relationship between image and epistemic value are no longer supported. Two of the mediating effects of conditional value are significant and their introduction makes notable contribution to the  $R^2$  of the epistemic and image dimensions of value. Given the above results and the non-significance of the direct effects of conditional value we conclude that conditional value is a pure moderator.

## CONCLUSIONS

The study presented here challenges the accepted view of independence of the five dimensions of the TCV. Specifically, we: (a) suggest that image should be included as a sixth dimension, (b) argue that, rather than being independent, the dimensions should be conceptualised as forming a hierarchical structure that commences with the formation of cognitive aspects of value (i.e., functional and epistemic) followed by affective (i.e., emotional and social) aspects of value perceptions, and (c) propose that the conditional dimension of the TCV should be treated as a moderator of some of the relationships between the remaining dimensions. We test the two competing conceptualisations (i.e., independence and hierarchical) in a service domain by embedding them in a theoretically justified nomological structure that treats service quality as an antecedent and satisfaction as an outcome of consumer perceptions of value.

Although we find no substantive difference in the predictive powers on satisfaction of the competing conceptualisations, we uncover important differences in behaviour of service quality as an antecedent of perceptions of customer value. Collectively, the resulting empirical evidence provides support for the hierarchical structure of the dimensions of the TCV and confirms treating the conditional dimension as a moderator. With the exception of Pihlström and Bush (2008), results reported in extant literature are founded on conceptualisations based on independence between the dimensions of the TCV and ignore to account for conditional value because of incorrect specification of the role of this dimension. Consequently, the results of this study raise concerns regarding extant related knowledge and researchers in the field are therefore urged to re-visit their studies in the light of the

information presented here. Finally, we contend that the proposed hierarchical structure makes an important contribution to the subject matter in terms of theory development and it offers greater clarity to related managerial decisions.

Table 1: Standardised Regression Coefficients (t-values) of Hypothesised Pathways, Fit Indices and Comparisons of Structural Pathways

		Initial model	Revised - Model A	Revised - Model B	Revised - Model C
Service Quality	→ Functional	.624 (12.54***)	.322 (3.46***)	.284 (2.90**)	.246 (1.96*)
	→ Epistemic	.553 (10.73***)	.431 (4.01***)	.363 (3.36***)	.065 (0.42)
	→ Image	.394 (3.28***)	.446 (3.94***)	.345 (2.69**)	.056 (0.28)
	→ Emotional	.604 (11.84***)			
	→ Social	.595 (10.46***)			
	→ Conditional	.554 (7.51***)	-		
Functional	→ Satisfaction	.063 (0.65)	.080 (0.79)	.080 (0.85)	.080 (0.76)
Epistemic	→	.290 (2.86**)	.294 (3.09**)	.295 (3.16***)	.295 (3.11***)
Image	→	.045 (0.62)			
Emotional	→	.398 (3.33***)	.422 (3.66***)	.422 (3.84***)	.422 (3.46***)
Social	→	.021 (0.21)	.032 (0.31)	.031 (0.31)	.031 (0.31)
Conditional	→	.048 (0.66)			
Image	→ Epistemic		.268 (2.24*)	.231 (1.88*)	.117 (1.37)
	→ Functional		.098 (1.05)	.078 (0.84)	.073 (0.80)
Epistemic	→ Social		.420 (5.89***)	.420 (5.88***)	.421 (6.19***)
Functional	→		.428 (5.99***)	.428 (5.91***)	.428 (6.08***)
Epistemic	→ Emotional		.412 (4.78***)	.412 (4.98***)	.412 (4.88***)
Functional	→		.246 (2.74**)	.246 (2.68**)	.246 (2.75**)
Epistemic	→ Functional		.467 (5.61***)	.441 (4.94***)	.417 (4.64***)
Social	→ Emotional		.237 (2.66**)	.237 (2.94**)	.237 (2.73**)
Conditional	→ Image			.211 (1.61)	.143 (1.07)
	→ Functional			.126 (1.56)	.121 (1.52)
	→ Epistemic			.176 (2.00*)	.091 (1.18)



Service quality * Conditional → Image → Functional → Epistemic								
	R <sup>2</sup>	R <sup>2</sup>	F value ΔR <sup>2</sup>	R <sup>2</sup>	F value ΔR <sup>2</sup>	R <sup>2</sup>	F value ΔR <sup>2</sup>	
						.398 (2.00*)		
						.070 (0.54)		
						.649 (5.15***)		
Functional	.389	.567	48.99***	.579	3.16	.580	0.36	
Epistemic	.306	.361	10.18***	.384	4.35*	.515	31.69***	
Conditional	.307	-	-	-	-	-	-	
Image	.155	.199	-	.233	5.31*	.286	8.62***	
Social	.354	.608	76.95***	.608	-	.608	-	
Emotional	.365	.650	96.99***	.650	-	.650	-	
Satisfaction	.581	.576	0.62	.576	-	.576	-	

Note: n/a indicates not applicable; § Indicates a significant pathway that does not reach the .20 criterion.

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