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Customer value from a customer perspective: a comprehensive review

Albert Graf · Peter Maas

Abstract The value concept is one of marketing theory's basic elements. Identifying and creating customer value (CV) – understood as value for customers – is regarded as an essential prerequisite for future company success. Nevertheless, not until quite recently has CV received much research attention. Ideas on how to conceptualize and link the concept to other constructs vary widely. The literature contains a multitude of different definitions, models, and measurement approaches. This article provides a broad overview, analysis, and critical evaluation of the different trends and approaches found to date in this research field, encompassing the development of perceived and desired customer value research, the relationships between the CV construct and other central marketing constructs, and the linkage between CV and the company interpretation of the value of the customer, like customer lifetime value (CLV). The article concludes by pointing out some of the challenges this field of research will face in the future.

Keywords Customer value · Desired customer value · Perceived customer value · Consumer behaviour

Zusammenfassung Die Identifizierung und Schaffung von Wert für den Kunden – Customer Value (CV) – wird als zentrale Voraussetzung für zukünftige Erfolge

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von Unternehmen betrachtet. Obwohl das Wertekonzept als eines der Basiselemente in der Marketingtheorie gilt, wurde das CV-Konstrukt erst in den letzten Jahren zu einem viel erforschten Untersuchungsobjekt. Es entstand eine Vielzahl von Definitionen, Modellen und Erhebungsansätzen, die teils stark divergieren. Dieser Beitrag liefert einen Überblick der verschiedenen Ansätze und Trends in diesem Forschungsfeld. Dieser umfasst die Analyse der Entwicklung des „Perceived" und „Desired" CV, die Beziehungen zwischen dem CV und anderen zentralen Marketingkonstrukten, sowie den Zusammenhang zwischen CV und Wert des Kunden für Unternehmen, z. B. in Form des Customer Lifetime Value. Abschliessend wird ein Ausblick auf die zukünftigen Herausforderungen der CV-Forschung gegeben.

Schlüsselwörter Customer value · Desired customer value · Perceived customer value · Konsumentenverhalten

1 Introduction

The study of customer value (CV) is becoming significantly more important, both in research and in practice. For example, the American Marketing Association recently revised its definition of "marketing" to encompass the notion of customer value, and there have been important discussions in the literature about the dominant logic in the field and over the central role customer value plays (American Marketing Association 2006; Vargo and Lusch 2004). Identifying and creating CV is regarded as an essential prerequisite for long-term company survival and success (Porter 1996; Woodruff 1997; Payne and Holt 2001; Huber et al. 2001). Understanding the way customers judge and value a service or product is crucial to achieving a competitive advantage. Scientists and practitioners have recognized the power of the CV concept in identifying value for customers and managing customer behaviour (Johnson et al. 2006; Kothari and Lackner 2006; Setijono and Dahlgaard 2007). The goal of CV research is to describe, analyze, and make empirically measurable the value that companies create for their customers and to link these insights to further marketing constructs. Recently, the research has also begun to link CV with concepts such as customer lifetime value (CLV) or customer equity in order to assess the return on marketing actions and the financial impact of CV on the company.

A multitude of CV approaches have emerged, and somewhat ambiguous empirical results have been presented. Thus far there is remarkably little consensus in the literature regarding notation and conception in this research field. Even the term CV is used and evaluated in very different ways in the marketing literature (Woodruff 1997). There is no consistent definition for "customer value" by now. Generally, there are two theoretical differentiable approaches:

CV from a company perspective: Here, the value of the customer is central for the provider. The goal is to evaluate how attractive individual customers (customer lifetime value) or customer groups (customer equity) are from a company perspective. This approach became a popular research topic in the last few years (see Reinartz and Kumar 2003; Rust et al. 2004; Krafft et al. 2005). This research stream is closely re-

lated to relationship marketing, which aims at developing and maintaining profitable business relationships with selected customers.

CV from a customer perspective: The focus here is on value generated by a company's product or service as perceived by the customer or the fulfilment of customer goals and desires by company products and/or services.

In this article, we concentrate on the customer perspective and use the term *customer value* (CV) to refer to that perspective and the term *customer lifetime value* (CLV) to refer to a company perspective. The article is divided into five sections. The first section provides a general understanding of CV. Section two describes, analyzes, and evaluates different CV approaches. Next, relationships between the CV construct and other central marketing concepts are analyzed, which is followed by a section focusing on the merger of the customer and company perspectives by linking CV with CLV. Finally, questions and directions for future research are discussed.

2 Understanding of customer value

Although CV has become the object of much investigation only during the last few years, the value concept has always been "the fundamental basis for all marketing activity" (Holbrook 1994). This is due to its close relation to the guiding principle of marketing – the voluntary exchange among competent market participants. This exchange view of marketing has a long tradition of acceptance among leading marketing scholars (e. g. Alderson 1957; Kotler 1972). The voluntary exchange takes place in markets where all involved expect a gain in value and buyers select that offering which amongst all offers afford him the highest expected gain in value (Kotler and Bliemel 2001).

However, CV approaches often have their foundation not only in marketing research but also in a variety of other research fields, such as strategy and organizational development, as well as in psychology and sociology. According to Payne and Holt (2001), CV research has been shaped and influenced by research in fields such as value chain, augmented product concept, value research, customer behaviour, customer satisfaction, and quality. In particular, the constructs of customer satisfaction (CS) and perceived quality are closely linked to CV and sometimes even used synonymously in the literature (Walker et al. 2006; Gilbert and Veloutsou 2006; Rust and Chung 2006).

A comparison of the concepts of CV, quality[1], and CS demonstrates that the three are closely linked, but yet separate, constructs (see also Sect. 4.1). As quality mostly is defined to be the result of a customer's subjective evaluation of a company's product or service, most researchers consider quality as antecedent to CV and as a significant variable with strong influence on customers' innate behaviour (e. g. Zeithaml 1988; Bolton and Drew 1991; Allen and Grisaffe 2001; Ralston 2003). The CV

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[1] For the sake of simplicity, "product and/or service quality" is often referred to as simply "quality" in this paper furthermore using this term we refer to perceived quality. Other approaches measure quality in a more objective way especially for products (see Rust and Chung 2006). But in regard to the adoption level theory, quality of products and especially of services is evaluated regarding the individual adoption level and not objective criteria.

approach encompasses many more facets than quality alone, e. g., by taking into account cost or risk attributes (Bolton and Drew 1991; Zeithaml 1988). Regarding CS, most researchers agree that CS is a post-consumption assessment by the user about the purchased product or service, and conclude – supported by empirical evidence – that CV is an antecedent of customer satisfaction. CS research generally focuses on benefits (Eggert and Ulaga 2002; Sweeney and Soutar 2001; De Ruyter et al. 1997) and current post-purchase customers. In contrast, CV concepts allow a comparison of both expected benefits and sacrifices in different phases of the purchasing process by both current and potential customers (Woodruff 1997; Sweeny and Soutar 2001).

The influence of other research fields is reflected by the various definitions of CV used in the literature (see Table 1). Terminology such as utility, quality, advantage, or preference is used to define CV even though these terms themselves are not clearly defined (Woodruff 1997; Ulaga 2003; Spiteri and Dion 2004). Yet, the definitions have in common that CV is considered as a theoretical construct having to do with a customer perspective of provider products or services (Huber et al. 2001; Spiteri and Dion 2004). CV thus differs from "personal or organisational values, those centrally held and enduring beliefs about right and wrong, good and bad that cut across situations and products or services" (Woodruff 1997). Furthermore, CV is a subjective construct made up of multiple value components (Ulaga 2003; Huber et al. 2001).

Despite certain commonalities, the CV definitions presented in Table 1, as well as the related CV models, represent different streams of CV research. In principle, CV models can be divided into two categories:

Perceived customer value (PCV): CV is conceptualized as tradeoff between benefits and sacrifices with a focus on the concrete performance characteristics of the products/services (see Zeithaml 1988; Gale 1994).

Desired customer value (DCV): CV is conceptualized as a part of the customers' value system. The focus of DCV is on abstract value dimensions, or consequences, derived from specific performance characteristics (see Holbrook 1994; Woodruff 1997).

The two categories differ in their levels of abstraction and in their focus (see Table 2). However, despite the heterogeneity of the definitions and models, the two CV categories are not mutually exclusive; on the contrary, in many ways the two overlap and several CV approaches are a combination of both concepts. For example, PCV attributes are also crucial for DCV in fulfilling higher-order goals of customers.

Table 1 Definitions of Customer Value

Zeithaml (1988)	"Perceived value is a customer's overall assessment of the utility of a product based on perceptions of what is received and what is given."
Gale (1994)	"Customer value is market perceived quality adjusted for the relative price of your product. [It is] your customer's opinion of your products (or services) as compared to that of your competitors."
Holbrook (1994)	Customer value is "a relativistic (comparative, personal, situational) preference characterizing a subject's [consumer's] experience of interacting with some object …i.e., any good, service, person, place, thing, event, or idea."
Woodruff (1997)	Customer value is a "customer's perceived preference for and evaluation of those product attributes, attribute performance, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations."

Table 2 Three Forms of Value (Flint et al. 1997)

	(Personal) Values	Desired Value	Perceived Value
Definition	Implicit beliefs that guide behaviour	What customer wants to happen (benefits sought)	Assessment of what has happened (benefits and sacrifices)
Level of abstraction	Abstract, centrally held, desired end-states, higher-order goals	Less abstract, less centrally held, lower-order goals, benefits sought to facilitate higher-order goal achievement	Overall view of tradeoffs between benefits and sacrifices actually received
Locus or source of value	Specific to customer (person or organization)	Conceptualized interaction of customer, product/service, and anticipated use situation	Interaction of customer, product/service, and a specific use situation
Relationship to use	Independent of use situations	Independent of use-specific experience	Dependent on specific use experience
Permanence	Enduring	Moderately enduring	Transient over occasions

Thus, only a comprehensive and integrated analysis of both categories provides a full understanding of the complexity of the CV construct.

3 Customer value approaches

3.1 Perceived customer value (PCV)

Most research efforts concentrate on conceptualising CV as trade-off between benefits and sacrifices of a product or service. In framing PCV, opinions vary widely on what aspects should be included. Generally, the approaches can be divided into an either more product-oriented or more relationship-oriented one.

3.1.1 Product-oriented PCV

Product-oriented PCV approaches limit CV on the trade-off between perceived quality and price of a product or service. For many authors, empirically clarifying the relationships between the individual CV elements is of pre-eminent importance, such as the positive relationship between perceived quality and PCV, the negative relationship between perceived price and PCV and the relationship between price and quality (Bolton and Drew 1991; Gale 1994; Oh 1999; Kashyap and Bojanic 2000; Desarbo et al. 2001).

In addition to the fundamental concept of PCV as a trade-off, analysis of the extrinsic indicators of perceived product quality and sacrifice is a core element in much PCV research. Authors such as Zeithaml (1988), Dodds et al. (1991), Andreassen and Lindestad (1998), Teas and Agarwal (2000) and Ralston (2003) differentiate between intrinsic and extrinsic indicators in their PCV concepts. Intrinsic indicators, such as product quality, are a part of the product. They can be changed only if the product is modified. Extrinsic indicators such as price, brand name, level of advertising or coun-

try of origin are related to the product, but are not inherent in the product itself, and thus can change over time. In this context, quality is considered as mediator in the relationship between all extrinsic indicators and PCV. Perceived sacrifice acts as mediator in the relationship between price and PCV. Thus, price serves as an extrinsic indicator for both perceived sacrifice and perceived quality.

Several authors (e. g. Thaler 1985; Monroe and Chapman 1987; Grewal et al. 1998; Al-Sabbahy et al. 2004) incorporate an internal reference price in their product-oriented PCV concepts – a price in buyers' memories that serves as a basis for judging or comparing actual prices (Grewal et al. 1998). These authors differentiate between "acquisition value" and "transaction value", where by *a cquisition value* refers to the buyers' trade-off from acquiring the product or service and *transaction value* to the perception of psychological satisfaction or pleasure obtained from taking advantage of the financial term of a price deal (Grewal et al. 1998). Some authors, e. g. Thaler (1985) and Monroe and Chapman (1987), consider the acquisition value and the transaction value as two independent dimensions; however, Grewal et al. (1998) have shown empirically that acquisition value is a function of perceived quality and perceived transaction value.

3.1.2 Relationship-oriented PCV

Many researchers have broadened their CV concepts to include, in addition to product and service attributes, relationship, process, and risk components. In this context, a significant enhancement of the PCV construct is the addition of relational attributes. In their PCV approach, Ravald and Grönroos (1996) assume that the relationship between a customer and a company has great influence on the perceived value of a customer. The longer a relationship endures and the greater its intensity, the more the focus of how the product or service is judged shifts to a judgment of the benefit/sacrifice attributes of the relationship. This suggests that in determining the PCV of an episode, the positive and negative effects of preserving the relationship with the company must be included in addition to the utility and expenditure of a good and its supplementary services (Grönroos 1997 and 2004). For example, Cannon and Homburg (2001) identified three sources of value creation through cost reductions in business relationships: the core product, the sourcing process, and the customer firm's internal operations. Based on empirical results, Ulaga and Eggert (2006) demonstrated that this categorization of value sources is not limited to cost reductions but also applies to generic benefit dimensions.

An increasing number of researchers have extended the product-oriented PCV by including process elements. The benefit dimension is often expanded to include process utility components, particularly aspects of the post-purchase phase (e. g., supply, maintenance, warranty) in order to take into account temporal components (see Lai 1995; Ravald and Grönroos 1996; Huber et al. 2001; Chen and Dubinsky 2003; Eggert et al. 2006). However, the pre-purchase phase can likewise significantly influence PCV, as, for example the empirical study of Chen and Dubinsky (2003) in the area of eBusiness shows. On the cost side, these authors add costs of procurement, and utilisation difficulties to the cost calculation.

Some authors (e. g. Lai 1995; Cronin et al. 1997; Sweeney et al. 1999; Agarwal and Teas 2001; Huber et al. 2001; Chen and Dubinsky 2003; Kleijnen et al. 2004) extend the product-oriented PCV concept by including aspects of risk. These authors define risks as those uncertainties that the customer must accept before, during, or after the purchase of a product or a service. Risks arise due to, for instance, uncertainties or potential negative consequences such as purchasing unnecessary or incorrectly sized products or services, unusually high costs of maintenance and repair, or social costs such as social disapproval (Lai 1995). Whereas Cronin et al. (1997) regard risks as a component of sacrifice, Sweeny et al. (1999) and Agarwal and Teas (2001) consider risks as separate dimensions.

3.2 Desired customer value

In the literature, it is assumed that customers differentiate between perceived customer value (PCV) and desired customer value (DCV) (Flint et al. 2002; Bagozzi 1999; Holbrook 1994; Richins 1994). PCV focuses on the assessment of specific benefits and sacrifices; DCV focuses on the customer's needs and desires and thus involves a higher level of abstraction on the customer's part. DCV is independent of use-specific experience and more enduring than PCV (Flint et al. 1997). DCV research seeks to explain what needs, desires, and values (dimensions) customers seek to fulfil by buying and/or using a certain product or service.

Answering this question, an increasing number of authors (e. g. Zeithaml 1988; Holbrook 1994; Lai 1995; Flint et al. 1997; Woodruff 1997; Huber et al. 2001; Van der Haar et al. 2001; Flint et al. 2002; Beverland and Lockshin 2003) use means-end theory as the theoretical foundation for their CV models. Means-end theory seeks to explain how an individual's choice of a product or service enables him/her to achieve his/her desired end states (Gutman 1982 and 1997). The main assumption of this theory is that customers choose actions that produce desired effects and minimize undesired effects (Peter and Olson 1990).

Based on the means-end theory, Woodruff (1997) developed a CV hierarchy model that facilitates exploration of PCV and at the same time contributes to a better understanding of customer needs and desires – DCV (Payne and Holt 2001). As per this model, customers learn to perceive products or services as a bundle of positive and negative attributes at the lowest level of the hierarchy (PCV level). Before purchasing or using the product/service, customers develop ideas with respect to specific attributes that they believe will contribute to realising their desired consequences (DCV level). The creation and formulation of these desired consequences depend on the customer's experiences regarding the extent to which these consequences will contribute to realising the customer's personal goals at the highest hierarchic level (Woodruff 1997). In this context, exploring DCV changes – defined as any alteration in what a customer desires – based on the CV hierarchy is an important contribution (e. g., Flint et al. 1997 and 2002; Flint and Woodruff 2001; Beverland and Lockshin 2003; Blocker and Flint 2007).

The literature contains other DCV approaches as well, such as those that develop and identify needs or value dimensions that customers are seeking to fulfil through their purchase of products and services. For example, Holbrook (1994) developed

a CV typology according to which the "consumption experience" can be sorted into eight dimensions of CV: efficiency, excellence, politics, esteem, play, aesthetics, morality, and spirituality. It is assumed that any given individual "consumption experience" involves several CV dimensions simultaneously. Sheth's et al. (1991) "theory of consumption value" is another important contribution to the field. According to these authors, a consumer's decision to buy (or not) a product or service can be described as a function of multiple "consumption value dimensions." The individual dimensions are understood as being independent of each other and as contributing different perceived benefits in specific situations. The authors identified five value dimensions: functional, social, emotional, epistemic, and conditional. Many authors have used the "theory of consumption value" as a basis for their empirical work (e. g., Wang et al. 2004; Sweeny and Soutar 2001). In contrast to DCV approaches, which explore generic value dimensions and focus on individuals, Ulaga (2003) focuses on value dimensions in a Business-to-Business (B2B) context. Based on a qualitative approach, he identified eight dimensions of value creation in manufacturer-provider relationships: product quality, service support, delivery, provider know-how, time to market, personal interaction, direct product costs, and process costs. The goal of this strand of research is to develop a practice-oriented CV concept having a special emphasis on relational aspects.

3.3 Research gaps and further issues

The above overview of CV approaches demonstrates the complexity and breadth of the field. Despite the diversity in these approaches to CV, several commonalties can be identified. CV is a subjective concept, as the value of a product or service is the result of the customer's subjective judgement (Zeithaml 1988; Woodruff and Gardial 1996; Huber et al. 2007). Value perceptions are relative and comparative because products and services are always assessed in relation to a competing offer and/or former experience. Researchers are also in agreement that CV is a dynamic construct, and that it is a theoretical and "higher-order" construct with multiple dimensions and several levels of abstraction. CV concepts are based on trade-off considerations, e. g., between benefits and sacrifices or between desired and undesired consequences.

Research on potential relationships, causalities, and dependencies between individual variables (e. g., extrinsic or intrinsic indicators) and CV constructs (e. g., quality, benefits, or sacrifices) at different levels of abstraction (PCV and DCV) has made a valuable contribution to understanding CV and customer decision making. However, CV research is beset by contradictions and research gaps, both conceptual and empirical, some of which are set out in more detail below.

Dependence or independence of benefits and sacrifices: Opinions vary both conceptually and empirically, as to whether there is a correlation between the two dimensions. A majority of the authors consider benefits and sacrifices to be distinct, independent constructs. But authors as Zeithaml (1988), Sweeney et al. (1999), Lapierre (2000), Teas and Agarwal (2000) and Ralston (2003) assume a direct dependency between the two constructs based on the idea that price is an extrinsic indicator for both. On the one hand, (monetary) price is perceived as sacrifice and on the other hand, a positive price-quality relationship is assumed as price is also perceived as in-

dicator for quality. The empirical results of Sweeney et al. (1999), Teas and Agarwal (2000) and Lapierre (2000) support these assumptions. However, empirical studies carried out by Oh (1999) and Chen and Dubinsky (2003) have shown the relationship between the two constructs to be insignificant.

Accounting model for benefits and sacrifices: Opinion also varies with regard to whether PCV should be conceived and computed as the difference between benefits and sacrifices (compensatory model) or as the quotient of benefits and sacrifices (multiplicative model). The multiplicative model has many champions, including e. g., Zeithaml (1988), Monroe (1990), Gale (1994), and Ravald and Grönroos (1996). In contrast are other CV models where PCV is a result of a linear, compensatory understanding, meaning that customers subtract perceived expenditure from perceived utility (Thaler 1985; Bolton and Drew 1991; Lai 1995; Grewal et al. 1998; Anderson and Narus 1998; DeSarbo et al. 2001). The wide acceptance of the multiplicative approach is surprising because, according to Cronin et al. (1997), in the sociological literature, cognitive processes are conceived in a linear additive form. Studies carried out by Cronin et al. (1997), DeSarbo et al. (2001), and Grewal et al. (1998), which examined this aspect empirically for different products and services, all came to the conclusion that the compensatory model dominates and is more representative than the multiplicative model. A further limitation in this regard is that a great majority of CV approaches assume a linear relationship between value dimensions (e. g., benefits and sacrifices) or between value attributes. However, in the case of, for instance, decreasing marginal utilities or increasing marginal costs, assuming linearity may not be realistic (Matzler 2000).

Weighting benefits and sacrifices: Researchers disagree as to how benefits and sacrifices should be weighted. Many paradigms within the field of consumer research, such as "expectance value research" or "elimination by aspects analysis," do not allocate the same weight to both benefits and sacrifices (Lai 1995). Most CV researchers do not even address the issue; however, Monroe (1990) questions the balanced weighting of utility and costs and assumes that customers value a reduction in costs more highly than they do an equivalent increase in utility. Based on prospect theory, Varki and Colgate (2001) show in their empirical study that price perceptions or negative events have a stronger influence on PCV than do quality or positive events. Wangenheim and Bayón's (2007) analysis of behavioural consequences of negative events – based on fairness theory – support this view. However, they note that the influence of positive and negative events differs between customer segments depending on the customer status and therefore the customer's own investment in the relationship. In contrast, Sweeny et al. (1999) show that perceived risk, as measured by elements of performance and financial risk, has a more powerful, direct effect on PCV than does price or product quality.

The implications of the contradictions discussed above are highly significant for CV management with regard to the question of how CV can evolve or be optimised. For example, CV can be enhanced by creating additional gains in benefits or by reducing certain costs and expenditures (Ravald and Grönroos 1996), but the question remains: Which of these strategies is the most efficient or least expensive? Empirical evidence is needed to answer this question, evidence that is sadly missing to date. In addition to this research gap, there are a variety of others, as discussed below.

Although CV in research is regarded as a hypothetical and "higher-order" construct, it is mostly operationalized with simple product/service characteristics. DCV research tries to close this gap, but research in this field is still in its infancy. So far, DCV approaches are far more focused on benefits and generally pay little attention to the sacrifice aspects, like time costs or physical, social, and psychological risks, or the destruction of value. Furthermore, in DCV approaches the assumed customer calculation of benefits and sacrifices, or the relationship between value drivers and value destroyers, is not conceptually integrated. Collecting and evaluating vague and changing desires or goals is a great challenge. But this is exactly why understanding DCV is so important: once it is possible to evaluate and apply DCV tools, it will be feasible not only to bring to market exactly those products and services that will most satisfy customers, it will also be possible to react dynamically (and quickly) to changing customer desires and wishes.

The biggest deficit and challenge in CV research lies in its empirical research. Unfortunately, because there is so much ground to cover, and in so many directions, there is not much sound, empirical research into CV. Most of the empirical work has been done in the field of PCV. However, many PCV approaches take into account only a limited number of aspects. Generally, very few sacrifices are covered and numerous aspects affecting the benefit side of the equation still require empirical examination. For example, aspects such as warranties, packaging, or advertising have been identified as extrinsic factors in quality research (Agarwal and Teas 2000 and 2001), but they have not yet been examined in the CV context. The increasing degree of complexity, e. g., in relationship-oriented PCV or DCV approaches, makes it especially difficult to empirically investigate CV. The dynamics and complexity of the CV construct presents great methodical challenges to empirical research. A few approaches incorporate dynamic aspects by using, for example, a longitudinal approach (Beverland and Lockshin 2003) or by integrating the relationship life cycle as a dynamic element (Eggert et al. 2006), but the large majority of concepts and empirical investigations provide only a snapshot of PCV or DCV.

4 Relationships between customer value and other marketing constructs

Understanding and sorting out the relationships between CV and other central constructs of marketing theory is another huge challenge in CV research. So far, from a theoretical point of view, it is still not clear how CV interacts with related marketing variables (Ulaga 2001). What are its antecedents and consequences?

4.1 Relationships between quality, customer value, and customer satisfaction

The inception of CV research made it necessary to develop a general understanding of CV's relationship to other marketing constructs. The primary focus here was on the relationships between quality, CS, and CV. A great deal of conceptual and empirical work investigates these relationships.

The quality-CV relationship: There is very broad support in the literature – particularly within the field of PCV research – for the assumption that perceived quality

is antecedent to and an important component in how customers perceive products'/service utility and thus PCV. Extensive empirical work has confirmed that there is a positive relationship between the two constructs.

The CV-CS relationship: Most authors who have investigated this relationship assume that CV and CS are two different constructs; CV is seen as an antecedent of CS. Numerous empirical studies support this assumption (e. g. Patterson and Spreng 1997; Oh 1999; Cronin et al. 2000; Eggert and Ulaga 2002; Liu et al. 2003; Spiteri and Dion 2004; Yang and Peterson 2004). However, the theoretical reasoning behind this assumed relationship varies. Because CV is primarily seen as a cognitive construct and CS as an affective-cognitive construct, Eggert and Ulaga (2002) and Yang and Peterson (2004), derive the relationship between CV and CS from Fishbein and Ajzen's (1975) theory of reasoned action according to which, "cognitive variables are mediated by affective ones to result in cognitive outcomes" (Eggert and Ulaga 2002). Liu et al. (2005) point to Thibeaut and Kelley's (1959) social exchange theory and Rusbult's (1980) "investment model". Cronin et al. (2000) refer to Bagozzi's (1992) "appraisal → emotional response → coping framework", according to which a performance evaluation causes an emotional reaction, which then defines customer behaviour. Although the conceptualisation between the two marketing constructs finds broad support, some authors are in disagreement and consider CS as an antecedent of CV (cf. Bolton and Drew 1991; Matzler 2000). For example, Bolton and Drew (1991) view CS as antecedent of perceived quality, which in turn is a key defining factor of CV.

The quality-CS relationship: In CS research, quality is regarded as antecedent of CS (see Liljander and Strandvik 1995; Cronin et al. 2000). This relationship has also been found, and reconfirmed empirically in the context of CV. It is assumed that quality is a significant factor in both CV and CS (Patterson and Spreng 1997; Sirohi et al. 1998; Oh 1999; Cronin et al. 2000, Ball et al. 2004; Durvasula et al. 2004). In addition to an indirect effect by means of CV moderating influences, the quality of a product or service also directly influences CS. However, this relationship generally receives attention only in models where quality, CS, or other constructs are the central focus instead of CV itself. To date, few articles (see Patterson and Spreng 1997; Oh 1999) have examined this relationship with CV as focal construct.

4.2 Relationships between customer value and customer behaviour

There is broad agreement in the literature on the relationships between CV, quality, and CS. However, there is much disagreement among the various approaches with regard to the interdependencies between these three constructs and the variables of customer behaviour and/or behaviour intentions. Many competitive models can be identified in the literature, which are summarised in Fig. 1.

Numerous authors (e. g. Zeithamel 1988, Cronin et al. 1997; Grewal et al. 1998, Sweeney et al. 1999; Kashyap and Bojanic 2000; Chen and Dubinsky 2003) assume that there is a direct relationship between CV and behavioural intentions, without explicitly involving CS as a relevant construct (Model 1). In contrast, in Model 2 the assumption is that there is no direct relationship between CV and behavioural intentions. Thus, authors such as Andreassen and Lindestad (1998) and Ball et al. (2004)
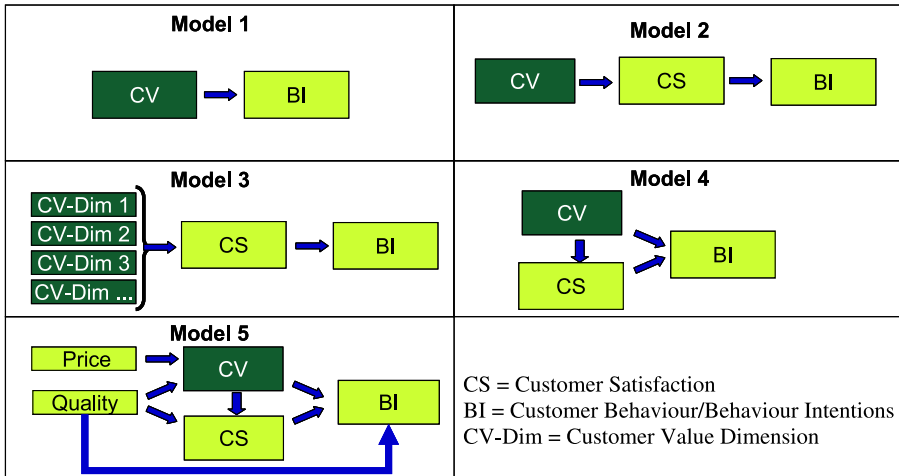
Fig. 1 Relationships between CV and Customer Behaviour

suppose that satisfaction is the moderating variable for CV and that there is no direct relationship between CV and loyalty. In a cross-industry survey comparing Models 1 and 2, Eggert and Ulaga (2002) came to the conclusion that CS is a moderating variable between CV and customer behaviour. CS is seen as a better indicator of customer behaviour, with a stronger effect on cognitive variables such as repurchasing behaviour and recommendation than the cognitive construct CV.

Papers of the Model 3 type support the relationships assumed in Model 2, but instead of considering CV to be a construct of higher order, it is instead viewed as being comprised of individual value dimensions. Authors such as Wang et al. (2004), Liang and Wang (2004), and Spiteri and Dion (2004) assume that a direct relationship exists between individual value dimensions and satisfaction. For example, in their empirical study involving veterinary surgeons, Spiteri and Dion (2004) came to the conclusion that "the SEM [Structural Equation Modelling] did not support the use of a higher order construct of customer value, as proposed in the earlier theory" (2004).

Model 4 posits a close relationship between CV and CS as well as a direct effect of the two constructs on customer behaviour and there is empirical support for these assumptions (Oh 1999; Durvasula et al. 2004; Lam et al. 2004; Yang and Peterson 2004; Liu et al. 2005). In Liu, Leach and Bernhardt's (2005) empirical study in the financial staffing service industry these relationships were confirmed but only for long-term business relationships. With regard to short-term business relationships, it was found that only "customer value is the critical factor influencing share allocation" (2005), unlike CS *and* CV.

Cronin, Brady and Hult (2000) and Durvasula et al. (2004) investigated whether, in addition to CV and CS, quality is also directly relevant to customer behaviour, as is assumed in Model 5. The two papers tested different models. On the one hand, Durvasula et al. (2004) were able to show that CV and CS have a direct influence on customer recommendation and repurchasing behaviour, but that quality only had an indirect effect on customer behaviour by means of CV and CS. On the other hand, in an empirical study of six service industries, Cronin et al. (2000) confirmed the direct

influence of quality, CV, and CS on recommendation and repurchasing behaviour. In their comparison of Models 1, 2, 4, and 5, Model 5 proved to be superior.

4.3 Research gaps and further issues

This analysis of the relationships between CV and other central constructs of marketing theory has shown that CV research is a unique, independent field. However, the CV construct is not in competition with the other constructs; instead, combined with other marketing theory, CV makes a valuable contribution to better understand customer decisions and behaviour. Thus, CV can be considered as an important antecedent with significant impact on CS and many forms of customer behaviour. Unfortunately, however, the heterogeneity of the approaches makes it difficult to discern exactly how the different constructs are related to each other.

Cronin et al. (2000) explain this heterogeneity as being due, at least in part, to "model structure appear[ing to be] highly dependent on the nature of the study." That said, they do not disparage or doubt the various and differing research results, but instead point out that most studies focus on specific relationships and variables and, as a consequence, do not take other variables and interdependencies into account. Therefore, it may be said that a certain model is "CV oriented" (e. g., Model 1), whereas other models focus more on quality, satisfaction, or trust, for instance. Another explanation for the partially contradictory concepts and empirical results is that the relationships have been investigated in different contexts. Individual variables, such as emotions, commitment, or confidence, have a different connotation in the service industry than they do in the industrial goods sector or in B2B. Furthermore, Ulaga (2001) points out that, as yet, there has been little work done that particularly focuses on the CV construct. A great deal of research will be necessary to fill this lacuna and gain a better, more nuanced understanding of the relationships between CV and customer behaviour. In summary and based on the empirical results discussed in Sect. 4.2, it can be assumed that both, CV and CS directly, however in different forms, influence customer behaviour depending on the forms of customer behaviour.

There are many other issues in this research field that need to be addressed and researched. For example, researchers agree that CV is a multidimensional and dynamic construct but, so far, analysis of relationships between CV and other marketing concepts is mainly based on an unidimensional conception of CV, with no consideration given to its dynamic aspects. One exception to this oversight is the work of Huber et al. (2007), who, in their analysis of the CV-CS relationship, empirically confirmed that the importance of certain value drivers and dimensions varies based on the particular service episode. Furthermore, according to these authors, there is a clear hierarchy of service episodes with regard to their impact on overall satisfaction (Huber et al. 2007).

Another area that we believe deserves attention involves the postulated linear causal relationship that underpins almost all studies in this field. We suspect that the relationships may be more complex than assumed, and may, in fact, be characterised by nonlinear elements. Ignoring this possibility leads to the risk of drawing inaccurate conclusions and thus making poor management decisions, especially when it comes to targeted use of marketing resources.

5 Relationship between customer value and customer lifetime value

This section discusses the link between the concept of "value *for* customers – CV" and the supplier-oriented concept of "value *of the* customers". A key element of the company perspective is *customer lifetime value* (CLV), which is the present value of all future profits generated from a customer (Gupta and Lehmann 2003). *Customer equity* (CE), another element of the company perspective, can be defined as the overall value of the current and future customer base (Rust et al. 2004) and is often seen as a proxy for firm value or stock price (Gupta et al. 2006).

5.1 CV-CLV approaches

Based on the assumption that CV is an essential prerequisite for future company success, the link between them, in particular, CV's financial impact on the company, has been investigated by a number of authors (Clealand and Bruno 1997; Laitamäki and Kordupleski 1997; Payne and Holt 2001; Eggert 2001; Hinterhuber and Matzler 2002; Boulding et al. 2005; Shah et al. 2006; Berger et al. 2006). For example, the customer centricity approach of Boulding et al. (2005) is concerned with the process of dual value creation, that is, value for both the customer and for the firm (Boulding et al. 2005). In their customer-based view, Hinterhuber and Matzler (2002) conceptualize a relationship between a product-oriented PCV approach, CS, CE, and the core competencies of a company, in which CS is a mediator of PCV and CE. Clealand and Bruno (1997) assume a relationship between CV and shareholder value but postulate that the only enduringly successful strategy is to focus on both. A company must "make sure that its customer value strategies deliver rigorous revenue to . . . build wealth for shareholders. . . . We start with CV because it opens the opportunity for shareholder value, although it by no means leads automatically to it" (Clealand and Bruno 1997). All these concepts are of a strategic and theoretical nature and while very interesting and thought-provoking, are not backed up by any empirical evidence or support.

Empirical exploration of the CV-CLV link is still in its infancy. The most promising approaches are found in the CLV research. CLV is increasingly considered and used as an appropriate measure for assessing the return on marketing actions and for developing customer-level and firm-level strategies (Berger et al. 2006; Rust et al. 2004; Venkatesan and Kumar 2004). To date, most of the research that investigates the relationship between customer view and CLV has focused on establishing a link between CS and CLV. After examining many published studies, Gupta and Zeithaml (2006) concluded that there is, indeed, a strong positive correlation between the two. Just recently, scholars have begun to integrate CV attributes, such as quality, price, and learning effect, into their CLV concepts. For example, Iyengar, Ansari, and Gupta (2007) show that, in the wireless service industry, a 1% increase in quality leads to a $2 increase in CLV per customer, whereas a price decrease leads to higher CLV than results from an equivalent price increase.

5.2 Research gaps and further issues

During the last few years, marketing expenditures have come under increasing pressure, making it crucial to understand how marketing actions affect CLV (Gupta and Zeithaml 2006; Shah et al. 2006; Wangenheim and Bayon 2007). The extension or even the merger of CV and CLV concepts may be able to provide the information that will lead to more efficient use of marketing resources. However, due to large gaps in the existing research, little is known about the actual link between CV and CLV. For example, the relationship between marketing action and CV may be more complex than initially assumed, which is quite likely also true of other postulated relationships, including that between CV and the CLV components of customer acquisition, retention, and expansion; between CLV components and CLV; and between CLV and shareholder value. These latter relationships may, indeed, turn out to be nonlinear, as has been demonstrated for the relationship between CS and CLV components. Furthermore, dynamic CV aspects have not been considered so far in this context. Berger et al. (2006) thus argue for implementing option theory into marketing research, but no empirical work has been done on the subject. This is an unfortunate oversight, as option theory would make it possible to incorporate CV shifts.

6 Outlook

This analysis of the different CV research streams has shown that CV is a unique, independent area of research that can make a valuable contribution to better understanding customer needs, decisions, and behaviour, as well as aiding in better or more accurate management decisions. Current development is threefold: one research stream focuses on individual aspects of CV (e. g., relationship, brand, or risk value); the second stream involves empirical examination of numerous contentious and open questions in CV research, especially the relationships between CV and other marketing constructs; and the third stream emphasizes the relationships between CV and CLV concepts. However, as is obvious from the frequent mention of research gaps throughout this paper, CV research is still in its infancy. To increase its value at the theoretical and practical levels, CV research will need to confront and overcome – apart from the earlier outlined specific issues – the following general challenges:

- To date, CV researchers have not taken into consideration cultural differences and industry-specific characteristics. However, first cross-cultural studies in this field (see Huber et al. 2007; Cunningham et al. 2006) have shown that the impact of certain value drivers on CV and also satisfaction differs between countries. Further, it must be assumed that there are industry-specific influencing factors (see Maas and Graf 2008), e. g. the industry culture, the significance of certain risks, or the degree of product innovation in certain industries and product categories, which affect the defining factors of CV and also the related marketing and CLV constructs.
- Until recently, CV approaches have always assumed that the roles of companies and customers are clearly and coherently allocated. In this assumed scheme, companies are the producers and customers are the buyers and users. However, current

marketing research has shown that this is an outdated concept for many industries. For instance, Vargo and Lusch (2004) hypothesise that customers are always "co-producers" in the creation of value. Increasingly, customers want and take over more active roles e. g. as source of competence, as innovator or even as advocates in order to co-create their own product or service experience (Graf 2007; Maas and Graf 2004). Therefore, customer involvement and integration in co-creation and co-production activities may become important element regarding the value of the customer and the value creation for customers.

- Furthermore, in most research, the value of one customer is considered independently of other customers (Gupta and Zeithaml 2006), but, in reality, there could be strong indirect networks between customers that could have strong direct effects on the firm. Especially community effects for example of brand communities (Algesheimer et al. 2005) may influence the value for and of customers. Broadening the perspective to include network effects appears as a promising opportunity for future research.

- To gain a better understanding of the CV construct and its relationships with other constructs, a comprehensive conceptualisation that includes various multifaceted perspectives is required. In addition to different levels of abstraction (PCV, DCV, and personal values), it is necessary to more strongly emphasise individual customer experience and learning effects. A first analysis of the impact of consumer learning on CLV from Iyengar et al. (2007) strongly supports this necessity. The different levels of experience customers have with a product or service and the duration and/or phase of a customer-provider relationship (pre-purchase, purchase, or post-purchase) are critical pieces of information that have not yet been fully integrated into this research field.

Although CV research in many areas stands still at the beginning it has already generated a lot of fruitful insights into the value creation processes from customer and company perspectives. Latest progress in this research field has been made by differentiating conceptualisations, models and methodologies. Regarding the impact for research and practice the main task for CV researchers will be to overcome the silos of specialised streams with different origins and to integrate the findings on the basis of a broader CV concept level. Especially, a closer – theoretical and empirical – look should be directed at the coherences and interfaces between CV, customer behaviour, CLV and shareholder value to better understand the differences in the value creation processes on both the company and the customer side. At least these efforts may also contribute to an ongoing paradigmatic shift in marketing from an inside-out management perspective towards a more radical outside-in customer view.

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