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Valuing value: Value-in-use and marketing performance

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VALUING VALUE: VALUE-IN-USE AND MARKETING PERFORMANCE

by

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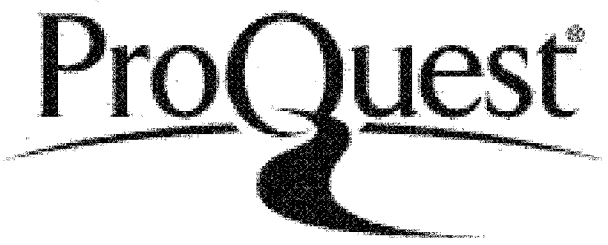

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ABSTRACT

A unified subject matter defines every scientific discipline. Marketing then, like other disciplines, consists of a finite set of core concepts. This dissertation focuses specifically on the core concept of "value" as being among the most central of concepts and more specifically elaborates theoretically on the concept of value-in-use. Historically, marketing's received view suggests customer satisfaction is a key contributor to firm success. However, the extant literature reports a weak relation between customer satisfaction and a firm's organizational performance (Woodruff, 1997). This dissertation makes a theoretical case for value as among the most telling metrics in all of marketing and considers the extent to which value drives marketing and business performance.

The recent paradigm shift toward a service-dominant logic (SDL) suggests that the underlying premise of any exchange relationship is for parties to perform activities for each other that create value (Vargo and Lusch 2004). A strong conceptual background of value-in-use exists in the SDL literature, but to date the concept remains unintegrated into the larger theoretical net. The advancement of SDL requires a theoretically sound and well-delineated value-in-use construct. This research builds on previous theory on value and its role in capturing marketing outcomes for consumers and businesses (Zeithaml 1988; Babin, Darden and Griffin 1994) .

A multipronged research approach is taken. Interpretive research provides in-depth descriptions of value expressions and the meanings of experience. A descriptive research approach in the form of a broad-based consumer survey allows the development and testing of a measurement theory necessary to examine research questions related to value, satisfaction and performance. The survey employs a representative sample of US consumers obtained through a worldwide online-panel firm. A graphic overview of the potential conceptual framework is as follows:

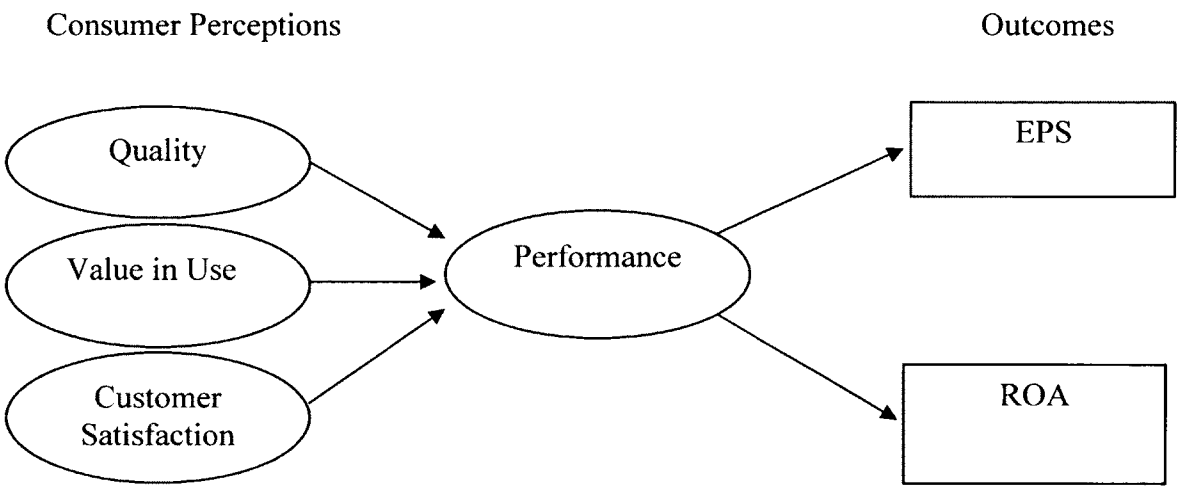

Figure 1. Consumer Perceptions and Firm Outcomes

The study offers a three-fold contribution. First, a thorough development of the evolutionary concept of value-in-use is undertaken. A shift in focus from "value in exchange" to "value-in-use" provides an important strategic development to the marketing discipline. The majority of value studies conducted through marketing history assess consumers' "value perceptions" before consumption takes place and are therefore more representative of "value expectation" than of value itself.

Second, an assessment of the relationship between value, satisfaction, and quality with business performance measures will enable managers to employ the best marketing customer metric with the performance measures that are most valuable to the firm. Overcoming the *customer satisfaction trap* with more appropriate concepts that actually relate to firm outcome measures will be a contribution to both the academic and practitioner literature (Dahlsten 2003). In other words, firms that pursue customer satisfaction at the expense of value are caught in a trap if value is more critical in shaping performance than is satisfaction.

Third, this dissertation matches select firms in two industries consistent with the American Satisfaction Index. The two industries are airlines and retailers. Department stores, discount stores, and supermarkets comprise the retailers. The present samples will allow assessment of the value measure across different contexts to provide further evidence of the impact of value.

Key results point to a correlation between hedonic value, overall value, and performance metrics including ROA and EPS in the retail context. Contextual differences emerged with respect to retailers' success with utilitarian value and airlines' success with hedonic value. The use of an overall value question, in conjunction with satisfaction, directly relating to outcome variables including loyalty and performance variables met with mixed success.

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CHAPTER 1

INTRODUCTION AND CONTRIBUTIONS

Introduction

All disciplines have a finite number of core concepts that take precedence over the remainder. Satisfaction is indeed a core marketing concept and, in many cases, marketing practitioners and academicians alike treat the concept as a catch-all term that captures the entirety of consumer results from consumption (Dixon, Freeman, and Toman 2010). The expectancy-disconfirmation model provides marketers with a deep understanding of how expectations align with current performance outcomes to arrive at a level of satisfaction (Oliver 1980; Garnesh, Arnold, and Reynolds 2000). In fact, marketing authors present research into a vast number of satisfaction topics including the "gaps" model (Zeithaml, Berry, and Parasuraman 1993), satisfied switchers (Maxham and Netemeyer 2002), and an index termed the American Customer Satisfaction Index, which remains a marketing measuring stick for many U.S. companies (Fornell 1992).

Despite the richness of the satisfaction concept, many companies and authors find evidence that merely satisfying the customer might not be enough (Fredrick 2003; Balabanis, Reynolds, and Simintiras 2006; Dahlsten 2003). The evidence suggests that all too often companies try to retrofit current practice to fit an outdated customer demand model (Dahlsten 2003), and other evidence suggests the relationship between satisfaction and loyalty is nonlinear (Fredrick 2003; Balabanis, Reynolds, and Simintiras, 2006).

In fact, Volvo Motor Company actually discovered a negative relationship between their customers' reported satisfaction levels and loyalty to Volvo that suggests satisfaction may not be as vital to success as once thought (Dahlsten 2003).

Value is emerging as paramount in importance to the marketing community. Marketing authors such as Holbrook (1994), Woodruff (1997), Zeithaml (1988), Woodall (2003) and Babin et al. (1994) emphasize value as the ultimate outcome from consumption. These studies range from the purely conceptual in nature to studies including empirical results. The emerging value theory distinguishes value as an outcome and emphasizes that assessing value prior to consumption captures something that is not exactly value itself.

Then, in 2004, Vargo and Lusch presented the service-dominant logic paradigm that positions value-in-use as a dominant marketing concept that requires more attention as the key outcome variable resulting from a service. The service-dominant logic concept positions value as the result of a company doing something for the benefit of another, in this case, the customer (Vargo and Lusch 2004, 2006). Service-dominant logic integrates the relationship marketing literature (Morgan and Hunt 1994) and the customer-orientation literature (Narver and Slater 1990) and makes less relevant the more traditional marketing models that focus on intangibility, heterogeneity of service delivery, inseparability of production and consumption and perishability, or the IHIP distinction between services and goods (Lovelock 1983).

Thus, value-in-use is the focus of this dissertation. If valuing something a firm does for a customer is the dominant outcome variable in marketing for the 21st century, marketing academicians and practitioners alike will benefit from a thorough conceptual

evaluation and empirical investigation to clarify and validate value-in-use as the dominant marketing concept.

Overview of a Service Dominant Logic andExplanation of Paradigm as It Relates to Value

The concept of service-dominant logic (SDL) takes the word service, defined as the application of one's resources for the benefit of another, and suggests that this should be the dominant emphasis for marketing and thus the logic explaining phenomena within the field of marketing. Traditionally, marketers separated and classified products as either goods or services. Lovelock (1983) distinguished services from goods by examining the extent to which the product showed signs of intangibility, heterogeneity of delivery, inseparable delivery and consumption, and ultimately perishability, if not used. For example, a product that falls under the goods classification is a lawnmower, while a product that falls under the services classification is a yardman. Both a lawnmower and a yardman offer the same service, a manicured lawn. However, SDL breaks from this traditional separation and focuses on the benefits or solution desired by consumers. Under this view, a product, whether goods or services, offers service.

Vargo and Lusch (2008) suggest that the goods versus service framework is both confusing and unnecessary. Instead, they offer the idea that the operant resources, or the skills and knowledge that a firm possesses, create a sustainable competitive advantage. In this context, the operand resources are only valuable when acted upon (via operant resources) to create something of enhanced value.

A paradigm is a thought pattern in any scientific discipline under which theories, laws, and hypotheses are tested. Under this new paradigm, a good is recognized as an

"appliance" that is used to enable task completion, whereas a typical service is seen as a reliever where someone completes the task in exchange for compensation. An example of the former is a toaster, and an example of the latter is someone who cooks toast for a customer (Vargo and Lusch 2008).

The concept of service-dominant logic closely follows other newer theories in marketing, such as the Resource Advantage Theory (Hunt and Morgan 1996), where the skills and knowledge to transform the raw materials into a value-added product would be seen as the firm's advantage. Resource Advantage Theory is in stark contrast to the traditional logic that posits that operand resources provide the basis for a firm's competitive advantage. The contention is that knowledge and skills of organization members, when transformed into activities the firm can offer to customers, provide a more sustainable and substantive basis for a competitive position than does the possession of operand resources such as raw materials. In fact, Resource Advantage Theory parallels Alderson's (1957) transvection concept by stressing the critical component of acting upon materials to transform them into something customers need and value.

Vargo and Lusch (2008) describe the advantages of a service-dominant logic. The advantages include the ability to simplify the exchange model by providing service as a common denominator, to distinguish between operand and operant resources and co-creation of value, and to advance a concept unique to marketing. In addition, SDL advances value-in-use as opposed to value in exchange. SDL is consistent with resource-based views and other theories. SDL retains exchange while at the same time potentially unifying the marketing discipline.

Vargo and Lusch (2008) suggest that the concept of service should be the dominant conceptual framework under which marketing is studied. Such a shift in conceptualization would focus marketers' attention to value-in-use, as opposed to value in the exchange. Also, the value driver would be the operant resources as opposed to the operand resources. The focus on doing something for another person's benefit would automatically create a customer orientation due to the concept of co-creation of product and consumption. Finally, evidence of the unification exists by examining the consistency with other theories such as the resource advantage theory (Hunt 2002).

For a unification to occur successfully, marketing research must clarify the value-in-use concept. This dissertation fills this void with a systematic examination of marketing's conceptualization and operationalization of the value concept. Indeed, the question must be answered empirically whether value-in-use is the critical component of what customer's seek and to what extent a value-providing firm enjoys above average-returns. Next, a presentation of this dissertation's contributions to the academic and practitioners marketing literature is undertaken.

Contributions of Research

Academic Contributions

The service-dominant logic perspective in marketing calls for a unified subject matter focusing on a business's ability to provide customers with valued operant resources (Vargo and Lusch 2004). Yet, to date, a unified understanding of the value concept remains fragmented (Woodruff 1997). Vargo and Lusch (2004) present value-in-use as a customer using a firm's operant resources. Babin, Darden, and Griffin (1994) present a multidimensional perspective and differentiate unique hedonic and utilitarian

value dimensions. Woodall (2005) presents value occurring in different timelines throughout the consumption process. All three value perspectives are justified and a unification is necessary to see how each affect key outcome variables.

The lack of a unified understanding may be due to the shortsighted view of value as taking place in only one place in the consumption process. A precursory view of value finds at least two areas where value can arise: the purchase situation (Holbrook 1994) and post-consumption (Zeithaml 1988). This work will contribute to the understanding of various value components by assessing the impact of value at different stages of the consumption process. The potential value stages include before the purchase with anticipated value, the purchase situation with hedonic and utilitarian shopping value, and the post purchase evaluation of the received value. The different value assessors have the potential to drive key outcome variables including loyalty intentions as well as objective firm financial information. Thus, the all-important knowledge gap this dissertation expects to fill is the relationship between the value customers see in the firm's offering and the success of a firm.

In a retail context, the value expectations arise in the form of expectations about the attributes and the performance. Shopping values occur in the form of hedonic and utilitarian values that typically take place while shopping for a product in the retail environment (Babin et al. 1994). Finally, the post-consumption values take the form of the "get" versus "give" trade-off as discussed by Zeithaml (1988). The integration of the framework, coupled with the traditional quality and satisfaction measure post-consumption (Woodall 2005), will allow a comprehensive undertaking of the value-in-use of a retailer's operant resources. Similar episodic work examining time period

consumption in marketing conducted by Huber, Herrmann and Henneberg (2007) present a precedent for such research in the analysis of perceived value, perceived satisfaction, and perceived quality.

A second contribution lies in testing the model in multiple industries. Specifically, two industries made up of retailers, discount stores, and airlines represent a broad based classification of service providers. A comparison of different industries will allow generalization where similarities exist and allow differences between contexts to emerge. Airlines represent a low customer participation scenario whereas a retail shopping experience represents a high customer participation environment. A retail experience represents a high coproduction opportunity whereas an airline trip represents a one sided production effort with the burden placed on the airline.

Third, this research presents a marketing investigation in the realm of pre-purchase activities, actual purchase situations, and the consumption of the purchased item. Wells (1993) argues that marketing is stuck researching simple consumer recognition of unimportant purchases. This dissertation examines the consumer reaction to operant resources provided by the firm to the customer. From this perspective, the operant resources come just before purchase in the form of hedonic and utilitarian value (Holbrook 1994) as well as in the consumption of the purchased item (Woodall 2003). Thus, this dissertation allows insight into the purchase and consumption stage of the consumer decision-making process (Arndt 1976).

Finally, the multimethod design will allow confidence in the results. Specifically, a diverse survey will comprise the descriptive portion of the study, while an experiment designed to capture satisfaction, hedonic, and utilitarian value components will make up

the experimental aspect of the study. The combination of causal modeling mixed with experimental design will avoid many of the pitfalls found in research that employs one sample frame or one method (Shadish, Cook, and Campbell 2002).

Practical Contributions

In addition to the academic contributions, this research potentially contributes to managerial understanding of what actually plays a role in making a successful company. Under a Resource Advantage Theory, a firm must determine how to use its finite resources in order to gain a competitive advantage over other firms in the marketplace (Hunt 2002). The satisfaction paradigm suggests that a firm can be successful by amassing customers who are satisfied with the firm (Zeithaml, Berry, and Parasuraman 1993). However, research is accumulating that suggests satisfied customers are not necessarily loyal (Fredrick 2003) and that satisfaction correlates poorly with key outcome variables (Woodruff 1997). From a managerial perspective, companies such as Wal-Mart continually score relatively poorly on the American Customer Satisfaction Index while attaining superior financial returns. The disconnect between customer satisfaction and performance begs the question of what really is contributing to financial success: satisfaction, quality, or value?

This research will contribute to the understanding of what drives a company's customers to want to come back and what contributes to the success of the firm. The answers to these questions will allow managers to place their finite resources in a better position to attain superior company performance. The three concepts of satisfaction, value, and quality are conceptually distinct and a different set of resources contributes to the maximization of each.

For instance, Wal-Mart's business model is to source products from the absolute low-cost provider so that they can sell most merchandise at a lower price relative to their customers. Additionally, Wal-Mart strives to be a one-stop shopping destination so that customers can maximize their chances of being able to complete successfully a shopping trip all in one stop and thereby achieve utilitarian value (Babin et al. 1994). Other retail outlets such as Whole Foods strive to have the highest quality products but sacrifice the shopper's ability to find everything in a one-stop shopping format. This sourcing decision is distinctly different from Wal-Mart's, as the former's emphasis is on utilitarian value while the latter's emphasis is on quality. Yet other retailers, such as Sears and J.C. Penney, focus on satisfaction as their key customer outcome variable. These companies ask customers to fill out customer-satisfaction surveys and inform customers that anything less than most satisfied means the operant resources received were below standard.

Given the diverse strategies from which firms can choose, a detailed investigation of the relationships between value and outcome variables, between satisfaction and outcome variables, and quality and outcome variables will provide a valuable contribution into where finite resources should be placed to achieve financial success. The strategic usage of a firm's operant resources parallel Porter's (1980) perspective of a low-cost or differentiation strategy and extends his logic toward common outcome variables within marketing research. Specifically, should a firm be a value leader, a price leader, a satisfaction leader, a quality leader, or some other type of leader? This study will allow further insight into the opportunities to gain a competitive advantage by identifying

the relative strength of being a value leader particularly as it compares to an emphasis on being a satisfaction leader.

CHAPTER 2

LITERATURE REVIEW AND CONCEPTUAL DEVELOPMENT

Introduction

Chapter 2 begins with a literature review of the concept of personal values – on perspective on value. The review examines three approaches: VALS (Babin and Harris 2010), Rokeach's personal values (1972), and the list of values or LOV (Kahle and Kennedy 1989). Following the personal values review is a literature review examining how consumers derive value from firms' operant resources. Concepts include customer value (Zeithaml 1988), utilitarian and hedonic value (Babin and Darden 1994), and value as it fits into the consumption process (Woodall 2003). Then a literature review examines the relationship between customer value and firm value to illustrate value is not a zero sum gain. Then, a review of satisfaction literature includes concepts such as the *gaps* model (Zeithaml, Berry, and Parasuraman 1993), dissatisfaction (Maxham and Netemeyer 2002) and the relationship between satisfaction's antecedents as well as between satisfaction and loyalty (Dixon, Freeman, and Toman 2010). The final literature review component includes a review of the American Customer Satisfaction Index (ACSI) (Fornell 1992).

The next Chapter 2 component is conceptual development, including the conceptual model designed to create an apt description of value's place in the

consumption process. The purpose of this model is to create a model which can capture value's value in terms of its contribution from a customer's use of the firm's operant resources. The final Chapter 2 component is a definitional and measurement section which defines the major constructs in the model and provides scales to measure each construct.

A Review of the Concept of Value from the Customer's Perspective: Personal Values

Gutman (1982) approaches value as consumption values reached through consequences of product purchase and use. Gutman defines values as desirable end states of existence that play a dominant role in shaping choice patterns. People cope with the tremendous diversity of products that are potential satisfiers of their values by grouping them into sets or classes to reduce the complexity of choice. Terminal values are things such as happiness, security, and accomplishment, while instrumental values are things such as honesty, courage, and broadmindedness that lead to the terminal value. Products can have an effect at the instrumental value level. Table 1 is an example of a means-end chain depicting how a customer values the offerings in a high-end retail store and how the offering relates to the customer. The research technique that links personal values to product/brand/activity choices is known as the repertory grid interview or, in its simpler form, laddering.

Table 1. Levels of Personal Values and Examples

LEVELS	DISTINCTIONS
Value	Social Recognition
Consequences	Prestige
Grouping	High Styling
Grouping	Carried by Finest Stores

The consequence is a state of being that results from consumption. Inputs are the products for consideration and outputs are the products chosen for consideration. Products do things for consumers at both the consequences and the value level. At the grouping level, the focus is on product attributes.

Consumers tend to operate at the lowest level of abstraction, or the grouping variable, and categorize offerings based on the category of their choosing. This means-end analysis connects the grouping variables with the consequences and finally with the value level variables.

Johnston (1995) suggests people consume to satisfy instrumental and terminal values. The author used MDS to analyze responses from students charged with a sorting technique of similar values. This personal values dichotomy builds upon the Rokeach Value Survey (1972). The findings suggest that individual/collectivism, similar to Maslow's concept of individual/collectivism, make up the main 2 dimensions of the 18 values for both terminal and instrumental values.

Rokeach's (1972) list of personal values, coined "terminal values," represent the end state in which a consumer would like to be. Instrumental values represent a somewhat less global personal value and are the means by which consumers achieve desirable terminal values. A list of Rokeach's values is shown is Table 2.

Table 2. Rokeach's Personal Values

Terminal Values	Instrumental Values
A Comfortable Life	Ambition
A Exciting Life	Broadminded
A Sense of Accomplishment	Capable
A World at Peace	Cheerful
A World of Beauty	Clean
Equality	Courageous
Family Security	Forgiving
Freedom	Helpful
Happiness	Honest
Inner Harmony	Imaginative
Mature Love	Independent
National Security	Intellectual
Pleasure	Logical
Salvation	Loving
Self-Respect	Obedient
Social Recognition	Polite
True Friendship	Responsible
Wisdom	Self-Controlled

Personal values exist as a way to see the world. Kelly (1955) presents personal construct theory. This view predicts that people will act as scientists who create hypotheses, test hypotheses, and revise future theories and hypotheses based on available data. Personal construct theory attempts to explain how people generate meaning from the world around them. Kelly defines a personal construct as "a property attributed to several events by means of which they can be differentiated into homogeneous groups." Laddering is the technique of choice to arrive at personal constructs as well as terminal and instrumental values.

Vinson, Scott and Lamont (1977) attack personal values from Rokeach's perspective of a value as "a centrally held, enduring belief which guides actions and judgments across specific situations and beyond immediate goals to more ultimate end-

states of existence." That said, values differ as to the extent that they are centrally held values. Global values are long lasting and pertain to desired states of existence. Domain-specific values pertain to economic, social and religious activities. While a person might only have a dozen global values, a person can have hundreds of domain-specific values. The least centrally held values are evaluations of product attributes. These are the beliefs often studied using the Fishbein attitude function. The external environment, through sociocultural, economic, and family influences, impacts an individual's value orientation. Two different student samples comprise the frame. One group is conservative while the other is liberal. The findings suggest the two groups differ with respect to the global values, which affect the domain specific values and the attributes they find important in a purchase.

Alwin and Krosnick (1985) present a comparison between rankings and ratings to assess the best way to measure the Rokeach personal values. The debate centers around the difficulty of a ranking technique and the lack of variance coupled with response sets in a rating technique. The literature review suggests ratings tend to have a slightly higher predictive validity, the average performance of both rankings and ratings tend to be similar, and the individual preference order tends to vary primarily due to the respondent's ability to rate values as equal in the ratings technique. The findings suggest the predictive ability varies little between choices but the rankings techniques produced a one-factor bipolar solution whereas the ratings produced a two factor solution. Thus, the predictive ability is similar between the two methods but the latent structure differs.

While Rokeach's personal values are well established, other techniques exist to assess personal values, and some of them are more amenable to survey research and, most importantly, to marketing.

Kahle and Kennedy (1989) present a comparison between VALS and LOV, two different ways to assess a person's personal values. The LOV technique originates from Maslow's Hierarchy of Needs and Rokeach's personal values. Respondents rate nine items anchored at very unimportant/very important. The nine items are shown in Table 3.

Table 3. Nine LOV Items

Sense of Belonging
Excitement
Warm Relationships with Others
Self-Fulfillment
Being Well-Respected
Fun and Enjoyment of Life
Security
Self-Respect
A Sense of Accomplishment
Note. respondents circle the MOST important value in each's life

From these items respondents are grouped into segments. These segments are shown in Table 4.

Table 4. LOV Dimensions

LOV Dimensions
1. SelfRespect-Traditionally most chosen and least discriminating
2. Security-A large segment comprised of anxious people who have little economic or psychological security
3. Warm Relationships-Consists of housewives and divorced men who are friendly and have lots of friends
4. Sense of Accomplishment-This segment consists of middle aged men who are well educated and have accomplishments in their lives.
5. Self Fulfillment-Akin to the yuppie who has accomplished much at a young age and values accomplishment over family ties
6. Well Respected-A smaller segment who is middle aged, loves their job, but is low paid and struggles for external acceptance
7. Sense of Belonging-This group is mainly housewives and clergy who accept their role in life. Still social acceptance is desired.
8. Fun and Enjoyment-This group consists of salespeople and unemployed who like to smell the roses. This group is well adjusted, optimistic, and dislikes family roles.

In contrast, the VALS 1 and 2 Survey rely on a 34-question battery comprised of questions about values and demographics to group people into 8 groups based on motivation and socio-economic status (Babin and Harris 2010). A brief description of each is shown in Table 5.

Table 5. VALS Two Dimensions

1. Innovators-Concerned about image, this group is sophisticated and are high achievers.
2. Thinkers-Motivated by ideals, this higher income group is older and concerned about order.
3. Achievers-This conservative group values family and prestigious products.
4. Experiencers-This young group values self expression and excitement.
5. Believers-This conservative group is less financially successful and values family, church, and order.
6. Strivers-Achievement oriented but yet to achieve their success. Shopping is a way to demonstrate ability to others.
7. Makers-Fewer resources than expressives. Express themselves through raising children and fixing cars
8. Survivors-Elderly who lack financial resources. Main concerns are health and security. This group is not market active.

Kahle and Kennedy (1989) suggest LOV is easier to administer than the Rokeach personal value scale due to having a smaller number of questions and not relying on a ranking scale. Also, LOV is said to be better than the VALS technique due to the interval scale, the non-proprietary algorithm, and less reliance than VALS 1 or 2 on demographic data. Further, the cross-cultural ability of LOV surpasses the VALS ability due to the religious questions involved in the VALS 2.

Kahle, Beatty, and Homer (1986) suggest LOV captures consumer values closer than the VALS measure. Another very basic advantage to LOV is that it is in the public domain and thus can be used without a proprietary algorithm. The LOV scale corresponds to life's major roles such as leisure, daily consumption, work, and marriage. The primary hypothesis, supported by the data, is that LOV will be a better predictor of

consumption behavior than will VALS by explaining more variance and more consistently predicting consumption behavior.

Shim and Eastlick (1998) examine the value-attitude-behavior hierarchy which places personal values exogenous to attitudes and behaviors. The findings lend support to the causal path from global values to midrange values to specific behaviors, and also indicates that values have only an indirect effect on consumer behavior through domain specific attributes. The study does touch on the interesting concept that people purchase products and visit malls for the benefit of value fulfillment, and the findings do indicate that people select regional malls for the benefit of fulfilling social and self-actualizing values. Thus, this post consumption personal values check may serve as an important antecedent to the ultimate value derived from value-in-use.

A Review of Consumer Value from the Customer's Perspective

Holbrook and Hirshman (1982) present a precursor to hedonic value, particularly with respect to actual use or the consumption experience. The information processing view sees the consumer as a thinker who consumes to solve some problem. In contrast, the experiential view sees consumers as consuming to satisfy some combination of emotional or hedonic aspects of life.

The experiential view includes entertainment with traditional goods versus services dichotomy. At this point, it is evident that a hedonic component exists in most consumption experiences irrespective of whether a hedonic component is involved in the purchase itself.

The experiential view also includes time as a cost, verbal as well as non-verbal stimulus, arousal as well as cognitions, images, emotions, feelings, and information about the consumption experience. Some individual differences that could alter the use experience include the traditional demographic, socioeconomic, lifestyle, as well as personality, sensation seeking, creativity, religious, and type A and B personality.

Value in Use Literature Review

Thaler (1985) presents transaction utility theory. Transaction utility theory is a two-stage process where the individual consumer assesses the acquisition utility and the transaction utility. The work combines economic aspects with consumer behavior and psychology to create a value function to incorporate into transaction utility theory.

The first stage, which is a judgment process, is the net utility that accrues from the trade of a price to obtain the good. Transaction utility is the value of paying given a specific reference price.

Value, then, incorporates three important behavior principals. First, the value function is defined as the perceived gains or losses relative to some reference price. The reference price acts as a frame, which then affects choice. The value function differs based on whether the customer is gaining something or losing something. The value function is concave for gains and convex for losses, according to prospect theory (Kaneman and Tversky 1979). In addition, an endowment effect occurs such that people demand more from an item they sell than they would if they were attempting to acquire the same item. An example of an endowment effect occurs when a potential customer will want to purchase a car for the lowest price possible, say $25,000 whereas the same owner of the car requires $30,000 to sell the same car.

This leads to the interesting concept of separating the gains received from a product and integrating losses. A demonstration of Thaler's value function is diagrammed in Figure 2.

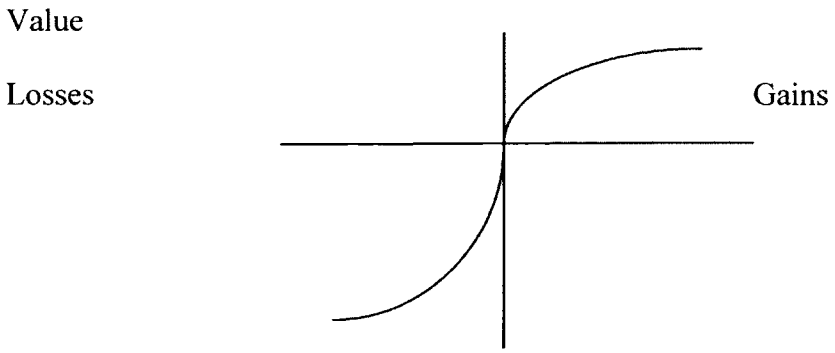

Figure 2. Thaler's Value Function

Zeithaml (1988) presents a model of how price, quality and value come together from the customer's perspective. Quality is superiority or excellence whereas perceived quality is the customer's judgments about a product's overall excellence/superiority. The author argues that all quality is perceived quality. Complexity is most simple for attribute judgments and more complex for personal values. Perceived quality is a second order phenomenon. Further, quality is characterized by cognitive quality and affective quality, where search goods are cognitive and experience goods are affective. Evaluations of quality are in a context, and lower level cues infer quality.

Zeithaml (1988) recognizes consumers have multiple goals. She differentiates between get versus give trade-offs and between perceived quality and price, as well as the intrinsic and/or extrinsic benefits that derive. Multiple sources of costs exist beyond price. Four different views of value are: (1) Low price (2) What I want – the benefits (3) Quality for price (4) Get-for-give ratio of attributes weighted by evaluations divided by

price weighted by evaluation. 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–a tradeoff of the salient "give" and "get" components. Further, value lies at a higher level of abstraction. Value is more personal, and thus subjective, and value involves a tradeoff. Monroe (1990) presents value as the buyer's perception of the tradeoff between quality and other benefits relative to the sacrifice they perceive, which is stated simply as the price (See also Woodruff 1997). This operationalization is consistent with the third Zeithaml (1988) conceptualization of value.

Crowley, Spangenberg, and Hughes (1992) approach the utilitarian and hedonic bi-dimensional approach as it relates to consumers' attitudes toward product categories. This bi-dimensional approach defines the hedonic component as the sensory attitudes and focuses on affective gratification, whereas the utilitarian dimension focuses on functional and non-sensory attributes and also on instrumental expectations. The utilitarian dimension consists of several product categories using useful/useless, valuable/worthless, beneficial/harmful, wise/foolish and hedonic items consist of pleasant/unpleasant, nice/awful, happy/sad, and agreeable/disagreeable. Interestingly, the authors find a bias where all the product categories rate positively on both components but some were higher than the others overall (e.g. vacation resorts). The two-factor solution naturally emerged for only 12 of the 24 product categories, thus the two dimensions are not reliable and valid in their current form (enter Babin 1994).

Wells (1993) advocates research in the search, purchase, consumption and post consumption realm rather than simple recognition, particularly for consumer behavior research. Wells (1993) argues along with Arndt (1976) that research on how people

consume is stuck at the early phases of recognition and brand choice. However, the consumer research agenda has five parts, including problem recognition, internal and external information search, actual purchase, the consumption of the purchased item, and post-consumption activates like disposal.

Additionally, decisions differ based on the importance of a particular consumption situation. The most often studied level is choosing among or between brands or variant. A generic product or service decision entails choosing specific purchases of central budget items (choice between furniture choices). A central budget allocation decision is choosing between furniture and vacations (choosing between different types of budget choices). A strategic choice decision could include choosing among or between colleges, new homes, or a decision to have a child. Arndt (1976) and Wells (1993) present the matrix shown in Table 6.

Table 6. Stages of the Consumer Decision Making Process

	Recognition	Search	Purchase	Consumption	Post-Consumption
Strategic			Research Needed		
Central					
Generic			Current Value Research	Current Value Research	Current Value Research
Variant	Majority of Research	Much Research			

The conclusion is the majority of research in the consumer behavior realm operates at the brand choice and recognition level. For consumer behavior research to be more relevant, research needs to cover the spectrum of consumer-decision making.

Chang and Wildt (1994), like Zeithaml (1988), operationalized value as the trade-off between perceived quality and price plus the intrinsic and/or extrinsic benefit that is derived from the purchase or consumption experience.

Babin, Darden, and Griffin (1994) take value derived from a shopping experience and break it into two components: hedonic and utilitarian value. The personal shopping value scale (PSV) consists of utilitarian and hedonic value. Utilitarian value represents the ability to complete efficiently the shopping task while hedonic value represents the emotions and positive feelings generated from the shopping task. It is to get something versus to love it. Value is an outcome variable here. The value measured is from the shopping experience. Work and fun are not opposite each other on a scale and are expected to share a modest correlation. The scale is geared toward capturing shopping value while looking for a product. This work expands on a two-dimensional approach developed by Crowley, Spangenberg, and Hughes (1992) and presents a valid and reliable way to measure hedonic and utilitarian value as it relates to a retail shopping experience.

Webster's (1994) conception of a customer orientation, of putting customer interests above all else, relies on a firm providing value by matching its core competencies with benefits the customer values. Thus, the new marketing concept argues for value, or a ration of benefits to cost/price including cost in use, residing at the heart of the function. This approach makes the customer orientation and the concepts of differentiation based on core competencies and sustainable competitive advantage paramount. Webster (1994) recognizes customers buy benefits, not products, so the onus

is on the firm to use their resources, particularly intellectual resources, to create products that provide value to customers.

Babin and Darden (1995) examine how self-regulation affects value received from a retail shopping experience. The authors suggest consumer pleasure relates strongly to utilitarian value, which facilitates the shopping task, and consumer arousal relates positively to hedonic shopping, which makes the store a better place to spend time. A consumer with an action orientation is guided by rules and is less susceptible to emotional behavior. Conversely, a state orientation is guided by social and emotional elements which lead to a lesser ability to self-regulate.

Key findings suggest elaborate store designs that elicit increased spending have a negative effect on action oriented customers' loyalty, especially with respect to utilitarian value. Elaborate store designs which elicit high levels of arousal and pleasure are better suited for state oriented customers.

Butz and Goodstein (1996) approach value from the same perspective of Gale (1994). Specifically, value is the emotional bond established between customer and producer after the customer has used a salient product or service produced by the supplier and found the product to provide the user with added value.

Aaker (1997) relates value to brand equity through the brand creating pluses and minuses that create or destroy value from either the firm's or customer's perspective. This approach concentrates on the relationship where the customer is an integral component in the brand-value creation process. This, in turn, argues for value-in-use instead of value in exchange. Here, brand value and value co-creation take place in the customer's mind.

Fournier (1998) and Aaker (1997) pioneer the relationship approach. This approach examines how a brand plays into the customer's life through both the brand personality and the match between the brand's personality and the user of the brand. This personality congruency (incongruency) can serve to strengthen (weaken) the customer's bond with the brand. Ravald and Gronroos (1996) characterize value as a series of relationship benefits and sacrifices.

Next, Rust, Zeithaml and Lemon (2000) suggest that customer equity should supplant the traditional brand equity from the product perspective by focusing on the following three points. Value equity is the traditional get minus the give, the customer's subjective assessment of the brand based on a total evaluation including both tangibles and intangibles, and the retention equity, or the customer's willingness to stick with the brand. So, brands are seen as representing knowledge, and to build a brand you must focus on the customer. The relationship idea came about from co-creation and highlights brand usage. Here, a customer can have a relationship with a brand as the brand relates to the customer's life (Fournier 1998 and Aaker 1997).

Cronin, Brady, and Hult (2000) examine value, satisfaction, quality, and behavioral intentions in a service(s) context. The authors present a literature review that suggests, in the service(s) realm, that satisfaction is a result of value where the first determinant of satisfaction is quality and the second is value. Second, value is highly correlated with satisfaction. Value here is the service quality for the price.

The authors define perceived value as the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given. This follows Zeithaml (1988). The authors use a two-item scale to operationalize the construct.

The authors test four competing models, all of which contain value, satisfaction, quality, and behavioral intentions. The findings suggest value and satisfaction are dominant drivers toward behavioral intentions but also find quality as a dominant driver toward value. The work supports Baggozi's (1992) concept of appraisal, emotional/cognitive response, and coping mechanism. Specifically, the findings suggest the best fitting model is a direct effect of service value, satisfaction, and service quality toward behavioral intentions, with service quality having a direct effect on both satisfaction and service value. Sacrifice is exogenous feeding into service value, and service quality is exogenous feeding into service value and satisfaction.

Agarwal and Teas (2001) suggest the nature of value is not as straight forward as a simple tradeoff between price and quality. Specifically, the authors detail the mediating roles of financial risk, performance risk, and both perceived quality and perceived sacrifice. The results show that perceived quality mediates the relationship between extrinsic cues and perceived risk while perceived sacrifice mediates the relationship between price and perceived risk. Additionally, financial risk mediates the relationship between perceived sacrifice and perceived value, while performance risk mediates the relationship between perceived quality and perceived value.

The extrinsic cues, such as brand name, country of origin, store name, and price, are introduced to serve as cues customers use to infer quality. These cues do not have a direct effect on perceived risk, but rather operate through perceived quality and perceived sacrifice (Rao and Monroe 1988).

Mathwick, Malhotra, and Rigdon (2001) advance the concept of the experiential value scale (EVS), which highlights hedonic value in the form of playfulness and

aesthetics in an internet and catalog-shopping environment. The authors discuss the narrow conceptualization of value as the tradeoff between quality and price, as the price dimension can be far more than the price while the consumption experience itself can provide value, especially for experiential goods. Here, intrinsic benefits are the normal utilitarian benefits that arise from completing a task while the extrinsic benefits are the hedonic aspects of a shopping trip that make the experience pleasurable for its own sake. The authors draw on Holbrook's (1994) four dimensions of value and label them as consumer return on investment, service excellence, playfulness, and aesthetic appeal, where intrinsic value represents the first two and extrinsic value represents that final two.

The consumer ROI is all about the customer's perception of affordable quality. The service excellence is about the providers' ability to follow through on their service promise in the form of task-related activities and demonstrating the ability to perform the task. The aesthetics represent the experiential aspect of the service-scape that exudes enjoyment for its own sake. Here, this represents the service-scape or the color, graphics, or layout if this were in the online environment. The final dimension is playfulness, which provides a temporary "get away from it all" experience. Window shopping can lead to active participation where the customer co-creates value.

The findings indicate catalog shopping possesses more of the hedonic dimensions than the online environment. The online environment is driven largely by the utilitarian dimension (ability to follow through and quality for price) than the hedonic dimension. In addition, internet shoppers are beginning to mirror the U.S. population from a demographic perspective. Market segment characteristics (Bolton and Drew 1991),

product or service involvement, and shopping goals (Woodruff 1997) are suggested potential moderators that could alter the nature of the relationships.

In addition, the authors suggest more study into transaction value, or the psychological pleasure attributable to negotiating a good "deal," which has also been investigated by Babin et al. (1994). In the name of integrating related work, future researchers might consider extending the economic subdimension of consumer return on investment to include both acquisition and transaction value. In doing so, the diagnostic strength of this value dimension may be developed, particularly in price competitive environments. This work brings to life Holbrook's (1994) work and provides a means to determine a wider conceptualization of value. We might use this scale and relate it to outcome dimensions and firm performance.

Babin and Babin (2001) examine store typicality with respect to the resulting purchase intentions and shopping value. The findings suggest that for a retailer such as fast food, where the customer is looking to get in, out, and on their way, the store design should be typical where the employees, store name, and location appear typical. However, if the retailer is focused on the more hedonic aspects of shopping, the retailer could benefit by having glamorous employees, an atypical name, and an atypical location.

Sweeney and Soutar (2001) put forward the PERVAL scale, which is a 19-item measure designed to value perceptions in a retail context. The four dimensions are emotional, social, quality/performance, and price/value for money. The scale measures customer value perceptions at the brand level. Purchase, attitude and behavior were the dependent variables. The authors build on Zeithaml's (1988) conception of value. The

authors also discuss how value differs from satisfaction. Value occurs at various stages of the purchase process ranging from prior to purchase evaluations to actual value-in-use, whereas satisfaction is a post-purchase evaluation. Value perceptions, or value propositions, come before the product is ever used. Next, the authors discuss how satisfaction is seen as one-dimensional varying along a hedonic continuum from favorable to unfavorable. Value, on the other hand is seen as a multidimensional construct. Four types of value emerge: two types of functional value, along with social and emotional value.

The scale development consists of two stages of purification: one using students and one using a more diverse sample of consumers. Ten focus groups were used to determine what about the consumption was of value. Brands evoked a greater range of value items than questions about particular products, so brands became the focus. A total of 107 value statements were retained and then narrowed by expert judges.

In the end, emotional value is defined as the utility derived from the feelings or affective states that a product generates. Social value is defined as the utility derived from the product's ability to enhance social self-concept. Two types of functional value are present. The first is price/value for money, the utility derived from the product due to the reduction of its perceived short term and long term costs. The final dimension, performance for quality, is the utility derived from the perceived quality and expected performance of the product. This work represents a positive step forward in operationalizing value in a multi-dimensional format.

Woodall (2003) provides a review of the value concept ranging from personal values to customer value. Net customer value is a utilitarian balancing of benefits and

sacrifices. Marketing customer value is only concerned with attributes. Derived customer value is outcome related. Sales customer value is a reduction in sacrifice or a reduction in price. Rational customer value is benefits expressed in units of exchange. Further, value exists in four time periods. The first is prior to purchase, then transactional value, then a post purchase or consumption value, and then a disposal value. Finally, an aggregate customer value concept is thought to exist which is the customer's overall value received.

Value for the customer is then defined as any demand-side, personal perception of advantage arising out of a customer's association with an organization's offering, which can be either a reduction in sacrifices or the presence of benefits which can be weighed or combined as the customer sees fit to aggregate over time.

The relationship between constructs is said to run from predicted quality to predicted value to the purchase to perceived quality to acquired value, which meets a revolving web running from satisfaction to repurchase intentions. This puts in value components at two stages, prior to purchase and during the use of the product. Few, if any, empirical works have differentiated value propositions from value-in-use.

Miguel, Markman, and Messner (2003) approach value from the perspective of consumption where consumers devalue products that do not meet a current need. Specifically, the authors' experiment found that products that did not solve a focal need are devalued while focal problem solvers are not shown to increase value. Preference for the product was the main dependent variable. Consumers did not show signs of being aware of the devaluation effect. Here, popcorn and cigarettes served as the experimental stimuli.

Vargo and Lusch (2004) begin by advocating SDL as the new marketing logic over the exchange paradigm due to the relational component present in marketing. In addition, the shift is driven by the shift from operand resources to operant resources as the dominant value creation engine. Geared toward value, this paradigm recognizes that people do not buy goods, they buy services that render value. The resources (skills, knowledge) represent the dominant competitive advantage and in the end all exchanges are services (as in doing something for the benefit of another, not like IHIP), and the extent to which the customer gets value from a service can differ based on the amount of co-production the customer puts into the consumption process. In addition, along a value perspective, the goods logic assumes that the producer injects value into an offering in the form of an operand resource and the customer is then acted upon in the form of a transaction. Under SDL, the value is determined by the customer based on value-in-use obtained from the service. Value, then, is the result of a positive application of a skill or knowledge (operant resource) that can be transmitted in the form of a service or a good. The narrow treatment of value as exchange value ignores the application of resources as perceived by the customer.

Taken from Gronroos (2000) via Vargo and Lusch (2004), customer value is created throughout the relationship by the customer through the customer-firm interaction. Here, the focus should not be about a product but on a value creation process where the customer sees value. This idea of a value creation process is more than simply distributing goods or products for simple exchange value. Vargo and Lusch (2004) then extend this logic by stating the firm can make value propositions but the actual value is determined by the customer through some extent of co-production. Hence, the value

propositions are the main driver a firm can offer and the customer then determines the extent that the value propositions actually provide real substantive value.

Babin, Lee, Kim, and Griffin (2005) present a model with a perceived shopping value scale modified as mediators to customer satisfaction and word of mouth. The left end of the model is the PANAS scale and service quality. The context is a restaurant environment in Korea such as Outback and Tony Roma. Negative affect was not diagnostic in this case. It is possible that it becomes more diagnostic when things go wrong or when a firm is trying to recover from a failure. Positive affect is positively related to both hedonic and utilitarian value.

In this case, the relation between consumer satisfaction and word of mouth was strong. The two value components showed a strong positive relation to WOM and satisfaction. Utilitarian and hedonic value were also positively related.

The value components only partially mediated the relation between positive affect and satisfaction. Service quality and PANAS were positively related (except negative affect) to both value components, and these value components were positively related to customer satisfaction and WOM.

The research is interesting because it studies real customers after a dining experience. The two dimensional utilitarian/hedonic shopping scale modified nicely for an international service context.

Berthony and John (2006) argue for including customer-firm interaction when determining value. They present a continuum with raw materials on one side and psychologist and fitness coach on the other. The continuum shown in Table 7 represents

how the interaction intensity varies in value given the necessity of the interaction between the dyad.

Table 7. Interaction between Firm and Customer

Interaction Minimal	Supplemental	Critical	Principal	Interaction critical
Offerings where interaction between dyad adds little value	Offerings where interactions add supplementary value	Offerings where interaction becomes critical	Offerings where interaction dominates over non-interactive component	Offerings where dyad interaction constitutes bulk of the value
Raw materials, commodities	Direct marketing, loyalty programs	Dentists, doctors	Automobile alert packages, security alarms that contact police	Fitness coach, psychologist, personal tutor

The authors also break down the interaction between the dyad by the sequence in the consumption process. Before consumption, issues from design, production, marketing and delivery of the offering are made by some combination of the firm, the customer, or both. During consumption, the dyad combines to monitor, direct, and partake in consumption.

After consumption, feedback should reach the firm so that an understanding occurs as to the past consumption so that a change can be made for future consumption. Finally, the authors propose that value-in-interaction from the customer's perspective is a function of seven dimensions shown in Table 8.

Table 8. Dimensions of Value-in-Interaction

Content–outcome of interaction met goal?
Control–extent firm enables customer to direct interactions
Continuation–extent to which firm uses past information from interactions to enhance future interactions
Customization–ability for customer to customize offering
Currency–extent that interactions between dyad are timely and respect timeliness
Configuration–interaction respects location relevance to customer (request from mobile phone delivered to mobile phone)
Contact–caring/empathy/sympathy of interaction

Thus, the authors touch on pre-consumption, consumption, and post-consumption issues as they pertain to value within the service-dominant logic paradigm. Holbrook (2006) argues that marketing value emerges from consumption depending on customer need characteristics. In his review, the author reviews service-dominant logic and comes to the conclusion that customer value lies at the center of the paradigm rather than service. Marketing is a value-creating endeavor. He posits that customer value is not a purely economic term. It is not the value of a customer to the firm. Rather, Holbrook (2006) presents value as interactive, which refers to value as some interaction between some subject–customer and some object–product. No value exists without the customer and the product. Also, Holbrook (2006) states that value is relativistic, which refers to value as a context driven construct. An example is how the subjective consumption appraisal of a basic good, in this case a soda, can change based on the comparative item

"A Coke might be good compared to a Pepsi, but bad compared to beer." A third part of value is that it is situational, which is the second context driven aspect of value. For example, I might prefer beer at dinner but cola for lunch. Value is also personal in that what one person values differs from what another person values, which is largely the basis for segmentation. For example, snow shoes have more value in Norway than in Louisiana and more there in December than in July. Next, value involves preference where the customer prefers one item to another based on some criteria, be it evaluation, opinion, satisfaction, or choice. Finally, Holbrook (2006) concludes by reiterating how value resides in a consumption experience. From his build up, the author presents the typology as shown in Table 9.

Table 9. Holbrook's Value Quadrant

Typology of Customer Value		Extrinsic	Intrinsic
Self-Oriented	Active	EFFICIENCY (enjoy now, pay later), cost savings	PLAY (hobbies)
	Reactive	EXCELLENCE (quality)	AESTHETICS (art appreciation)
Other-Oriented	Active	STATUS (Rolex)	ETHICS (green consumption)
	Reactive	ESTEEM (A purely show piece)	SPIRITUAL (spirituality to be spiritual)

Notes. These are not at all mutually exclusive and 1 product can click on each value type.

Extrinsic / Intrinsic: Ex when some object serves as a means to an end, IN when the experience is prized for its own sake

Self/other oriented: Self is when I value something, other oriented is when you value for their sake

Active/Reactive: active is when I do something to the object, reactive is when the object does something to me

Jones, Reynolds, and Arnold (2006) present a review of value and determine the hedonic and utilitarian approach could be too narrow. The authors present six dimensions including adventure, gratification, role fulfillment, money savings, social, and idea (epistemic). The extent to which the new conception trumps the traditional approach, however, is still an area for further research, particularly given the parsimony trade-off.

Johnson, Herrmann, and Huber (2006) define value as get versus give relative to other products. The authors examine a combination effect of customer value received, affective commitment, and brand equity on intentions to purchase as the product moves through the product life cycle. The concept is that value is the driving force early on and is then replaced in terms of relative importance by affective commitment and brand equity. Attitude theory says at first you have nothing else on which else to base your decisions, so you will use the value received from the product. Over time, brand equity and affective commitment will overtake value's effect.

Sheth and Uslay (2007) highlight the paradigm shift within marketing which transfers the utmost critical area in marketing from the exchange to value creation, or value co-creation. Examples demonstrate how firms create value for the customer in areas such as financing and customer service, and, in turn, value is created for the firm. This dyad of value creation may also include a third partner in society. A call is made to come up with a theory of value, or value theory. Several types of value are mentioned, including value in exchange, possession and personalization value, value for money, value in information, value pricing such as when phone and internet are bundled together.

An interesting proposition is suggested – that firms can create value by filling the structural holes in networks. For example, E-bay filled a hole by connecting buyers and

sellers, Dell by customized PC's, Facebook by giving people the ability to stay connected and see friends, and Beachbody's products by giving people a workout structure that they can and will do at home. Interestingly, the authors suggest that by shifting to a value paradigm the unscrupulous marketer cliché could disappear because it is no longer in the firm's best interest to load customers into debt, which by default is just to create an exchange. Mutual value must take place.

The authors posit value is created when two individuals or institutions with complementary resources are connected. The question then shifts to whether value creation is broad enough. What if co-creation of value is the dominant force? The shift has been from exchange to value in exchange to co-creation of value. The simple fact that value is determined by the customer brings to the forefront the concept of value co-creation. This concept is in harmony with the emergent view of marketing as opposed to the received view. This implies co-production, co-design, co-promotion, co-distribution, and co-maintenance.

An interesting question is proposed: Is co-production of value a special case within value creation or vice versa? The authors propose that value creation, where one party is dominant, is a special case of co-production. Uslay, Morgan, and Sheth (2008) present a review of Peter Drucker's work and highlight Drucker's call that marketing is about creating value for customers.

Xie, Bagozzi, and Troye (2008) focus on the idea of presumption and operationalized it as a "trying" process. A model incorporates a theory of trying with both domain and global values. They found presumption propensity was a function of attitude

toward success, self-efficacy, and attitude toward the process. Global and domain specific values were operationalized by fun, interpersonal, and personal.

The results show that the process flows from global values to domain specific values and then to specific presumption attitudes, self-efficacy, and behavior. This supports the notion that global values are too abstract to be fulfilled through specific behavior. The authors mention that if people value an activity (such as preparing dinner for friends) they are more likely to perceive this activity as instrumental for achieving fun, interpersonal and personal values, which, to these people, represent domain specific interests. The domain specific interests are closer to behaviors than are global values.

A formal definition is presented: "Value creation activities are activities undertaken by the consumer that result in the production of products they eventually consume and that become their consumption experiences." This definition is consistent with the notion of "value co-creation" (Lusch and Vargo 2006) which has two components. The first is value-in-use, which implies that "value can only be created with and determined by the user in the 'consumption' process and through use." The second component is co-production. "It involves the participation in the creation of the core offering itself. It can occur through shared inventiveness, co-design, or shared production of related goods, and can occur with customers and any other partners in the value network." These activities come together to create value for the consumer, value itself being the perceived net worth of consumption (involving activities or object appliances) after considering all the benefits and costs associated with that consumption act (Babin and Harris 2010).

Allen, Fournier, and Miller (2008) discuss brands and co-creation in terms of the emergent paradigm where customers are involved with the creation of brand meaning. The idea is that brands help consumers live their lives and the meaning of a brand is dependent upon the culture in which the brand resides. This new view, termed the emergent paradigm, is contrasted against the received view of branding which states that brand meanings are relatively constant across all members of a target audience. A contradiction does arise, however, as brand meanings are thought to reside in the consumers' minds, thus a constant meaning across recipients is highly unlikely. The emergent paradigm sets the consumer and the culture as joint but different meaning makers for brands, with the culture acting first from the perspective of a firm system, or differently from a fashion system perspective, in which merchandise passes to customers who share certain rituals from possession to exchange to divestment.

The consumer's ability to co-create brand meaning has never been easier than now, with online consumer review systems and social media. This, coupled with the increased use of branded entertainment, makes it more difficult for the firm to be the meaning maker of the brand.

So the forces of culture and consumers in co-creating the brand parallels the recent change in consumer co-creation of value. Azjen (2008) presents the expectancy value model. This model measures overall attitude toward something, say a product, which is a combination of the subjective values or evaluations of the attitudes associated with the product and the strength of these associations. Attitudes toward different value drivers certainly play a role in the value derived from using a product, and attitudes toward a product can play a part in the value propositions.

Payne, Storbacka, and Frow (2008) explore how customers engage in co-creation of value through a process based on the S-D Logic. The value creation process is a series of activities performed by the customer to achieve a particular goal. Here, operant resources are the key resources. The value propositions must focus on the value-in-use where the benefits are the highlight, not merely the attributes.

The conceptual framework can be verbalized as follows. The customer process focuses on learning about the consumption experience and about the relationship with the provider. The relationship aspects include the emotional content, the cognitive content, and the behavior. The firm has the opportunity to co-create value, can plan to improve processes, and can track metrics with the opportunity to learn from the tracking. From these processes, the firm has the opportunity to learn and grow. The learning component involves aspects such as satisfaction and the degree of customer involvement will determine whether the relationship is ongoing. The dialogue from the supplier to the customer should then focus on the customer experience and ways the customer can learn to increase efficiencies. Three forms of learning include remembering, internalizing, and proportioning. Remembering is the most simple, and internalization is where interpretation and message integration occur. Finally, propositioning is reflecting on the consumption process as it relates to the customer's own life. Firms can learn and apply new technology, improve processes, and capitalize on knowledge of their customers' and potential customers' tastes.

The encounter process is where the customer and firm meet. These are also called touch points. This can be any form of advertising, sale call, direct mail, invoice, warranty information, etc. Even when both parties prefer a transactional relationship, the laws still

govern the relationship. Three broad forms of encounters are proposed: communication encounters (ads, brochures, internet home page, etc); usage encounters; and service encounters (any form of customer service). The encounters can stimulate emotions, cognitions, and behaviors for better or for worse. Some of these encounters are more critical than others, which are deemed the critical encounters.

Brodie, Wittome, and Brush (2009) conceptualize value as a doubly concrete variable, Bergkvist and Rossiter (2007). The authors test the value-loyalty process and find support for the process. The single question assessing value is: "Overall, thinking about the service features in comparison to the costs associated with flying this Airline, how would you rate your overall experience with this Airline?" The model has the brand image features (brand image, company image, employee trust, and company trust) feeding into both service quality and value, and then service quality into value, and then value into loyalty. The brand image has a stronger positive correlation to service quality than to customer value. The quality component correlation to customer value is .3. Finally, even with the narrow value variable, the correlation between value and loyalty is .64. This may speak to the importance of the overall value question relative to value propositions.

Babin and Harris (2009) and Babin and James (2010) present value as all the customer gets minus all the customer gives. In this simple get versus give tradeoff, the greater the customer involvement with a project, the greater the chances the customer will derive more from the get component, all things being equal. If a customer enjoys a task and thus feels prestige or nostalgia from the purchase or use of a product, the customer then is deriving added value from the task. Thus, the customer receiving emotional

benefits can enhance the get components beyond traditional utilitarian benefits. Figure 3, presented in Babin and Harris (2009) and in Babin and James (2010), represents the value equation which defines value as the get minus the give components and presents a list of "get" and "give" components.

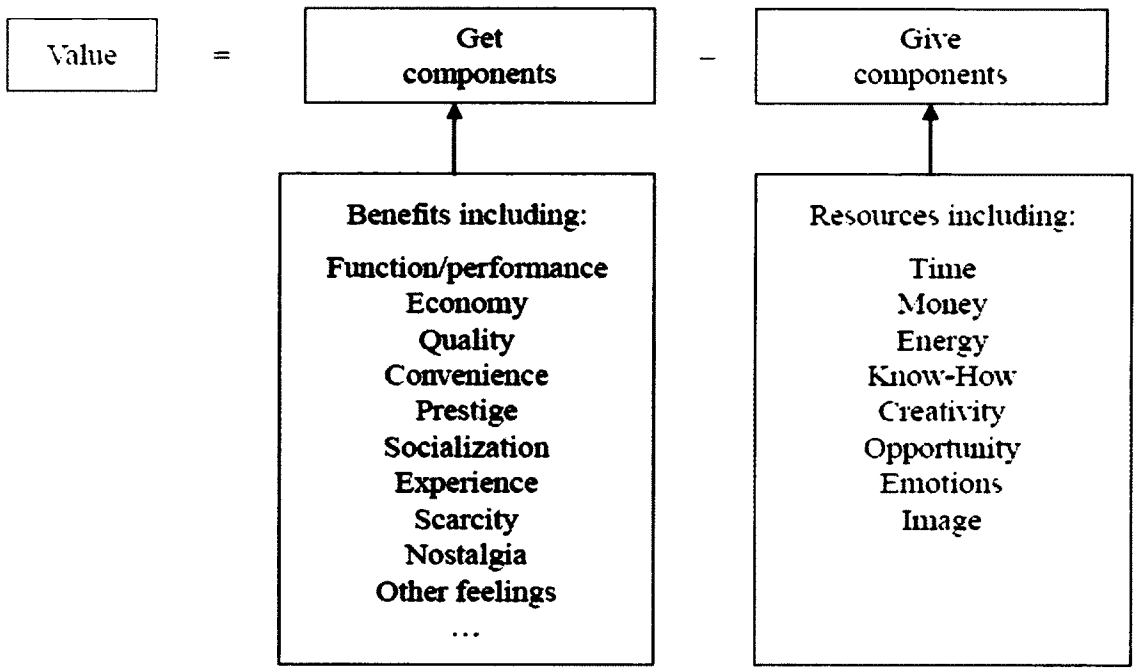

Figure 3. The Value Equation

Babin and James (2010) argue for value as the key outcome variable. Others include exchange, attitude, satisfaction, trust, or quality. In a service dominant logic, service is doing something to benefit another, and value is the result of the service. Value capture occurs if the service is successful. Additionally, marketing is not a zero sum gain but a net positive sum game. The value concept best illustrates this fact. A firm is better off from exchange, the customers' lives are better through consumption and society is bettered by extension through things including job creation and the positive contribution

to the economy. Just because firms receive high value does not mean the customer cannot receive high value through the same transaction. In fact, this should be the goal of a free marketing system.

A discussion of several value propositions is next. These include the conjecture that value occurs only after the purchase since the evaluation of worth can only occur after the fact. Research that measures value in studying an impending purchase decision is more accurately focusing on value expectations or the anticipation of value. Most studies operationalized value prior to the customer receiving any value from the product other than value expectations. Also, the authors suggest value can be negative, particularly if the "give" component is greater the "get" component. Further, utilitarian value and hedonic value are not mutually exclusive. If this were the case, researchers should find a strong negative correlation but this is not the case (Babin and Babin 2001).

Following Rokeach (1972), value is not entirely distinct from one's personal values. These personal values represent relatively desirable end states (terminal values) or ways to obtain the desirable end states (instrumental values). Thus, they illustrate the ends toward which service ought to be directed. A consumer's ranking of the importance of these personal values is likely linked to the types of "get" components that are most sought after and the types of "give" components (resources) that he or she is most willing to let go. Consumption is the process that creates value from service. The authors conclude with the strong statement that, in the end, all meaningful marketing activity is directed at value creation. This makes value an imperative, and perhaps the imperative, concept to building marketing descriptions and prescriptions (Babin and James 2010).

Merz, He, and Vargo (2009) advance the notion that, since customer determines value through use, the term value in context should prevail. The authors trace the dominant logic toward branding from brands as identifiers, to brands as differentiators, to customer based brand equity (Keller 1993), and then to customer equity (Rust and Zeithaml 2000). This new approach shifts from value in exchange to a dynamic and social process where the brand's value is determined through using the product, and all stakeholders are influencers.

Ngo and O'Cass (2010) seek to advance value creation theory with a three-box approach going from value creation architecture to value creation engineering to the value box, which is the interaction between the firm's offering and the customer actually using the product and the resulting brand and customer equity which emerge. The authors emphasize a dyad approach to understanding value theory. The value box consists of what the firm is offering and what the firm gets from the customer.

In more detail, the first box, value creation architecture, captures the strategy at the business level where the extent of innovation, marketing, and production characteristics are employed to match customer value. At the second box, the value creating engineering, resources, or operant resources, are matched with the strategy to determine the extent to which the strategy is viable. The final box is where the firm's offering is matched with the customer, the customer determines the value of the offering, the brand, and then the final step is the customer equity, where the value of the customer to the firm is determined.

The value creation box is where the firm and the customer interact. Two flows occur, the first from the firm's offering, which (arguably) has some extent of value or

perhaps utility embedded to the customer as the ultimate user and ultimate value determinant. From this, the customer determines the extent of the brand's value, and that feeds into the amount of customer equity the firm receives from the customers long term use, loyalty, goodwill, word of mouth, etc. toward the firm and the brand.

Works Connected to Value from the Firm's Perspective

Porter (1980) describes value creation by the firm for the customer through either lowering the cost or raising the real or perceived performance. Anderson, Jain, and Chintagunta (1993) chose to approach value from a business-to-business approach and operationalized it as firm value based on all the benefits received versus price paid relative to other supplier offerings.

Webster (1994) defines a value proposition as "the verbal statement that matches up the firm's distinctive competencies with the needs and preferences of a carefully defined set of potential customers. It's a communication device that links the people in an organization with its customers, concentrating employee efforts and customer expectations on things that the company does best in a system for delivering superior value. The value proposition creates a shared understanding needed to form a long-term relationship that meets the goals of both the company and its customers."

Hence, the firm must choose the customers that best fit their value proposition. Not all consumers will match, and therefore losing a customer that is far too costly to satisfy is not a bad thing. On the flip side, the firm's ability to maintain customers who see and receive value from the offering will determine the success of the firm. The ultimate fulfillment of this concept is starting with an ideal customer whose needs and

preference match the firm's capabilities and then tailoring a product that delivers the most value to that customer.

A customer orientation requires that all of the firm's activities are geared toward the customer beyond any other party's interests. This means less hierarchy so that that the firm can be closer to the customer and understand the customer's needs. This culture is management driven and ingrained throughout the organization.

Gale (1994) approaches value from a managerial perspective and defines value as perceived quality adjusted for the relative price of the product. Additionally, the perceived quality includes the emotional bond between customer and producer relative to price.

Jones and Sasser, Jr. (1995) argue that companies who merely satisfy customers will end up losing customers. Completely satisfied customers are much more loyal than simply satisfied customers. A very telling line in this article is that a firm must be able to determine if their loyal customers are truly loyal or artificially loyal. True loyalty is based on the company's delivery and customer receipt of superior value whereas artificial loyalty is based on the firm holding some form of monopoly power. Mention is made that a customer who receives a reasonably good product may find it difficult to respond negatively to customer satisfaction surveys, thus providing skewed information to the firm.

If customer satisfaction numbers are to be meaningful, they must be unbiased, applied in all locations, and be tailored to the individual customer's situation. Additionally, the authors suggest the link should run from the attributes, to the value

received, to satisfaction. Perhaps this causal structure is necessary to fully understand customer's decision-making.

Finally, an examination of different relationships among satisfaction, loyalty, and behavior is undertaken. A loyalist is highly satisfied, highly loyal, and intends to stay. A defector is low to medium satisfaction, low to medium loyalty, unhappy, and has either left or is in the process of leaving. A mercenary is highly satisfied but only mildly loyal. Their behavior can best be characterized as not committed as they come and go. A hostage is low to medium satisfaction and high loyalty only because they are trapped due to switching costs or monopoly. The conclusion states that, without offering value, customers will leave as soon as they get a chance even if they are satisfied with the current offering. Thus, commitment does not lead to long term relationships.

Green, Barclay, and Ryans (1995) operationalize value as a three item construct comprised of relative price, discount price, and relative minimum price. The two products examined were word processors and business graphics. The drivers of initial firm performance include magazine coverage, which is a proxy for marketing the new product, value, and quality. The final takeaway was to focus the distribution efforts on value creating activities.

Woodruff (1997) separates value into several parts: the proposition based on attributes, and actual received value based on consequences, which lead to ultimate goal completion. Firms use their resources to aid the customer along the way. The article emphasizes how companies can deliver superior customer value to gain a competitive advantage. Customer satisfaction has fallen short because of measurement and has not been acted upon properly. Customer satisfaction must be backed up by customer value.

Finally, customer satisfaction is not enough to keep the customer loyal. Customer satisfaction does not correlate with organizational performance.

From a manager's perspective, creating and delivering superior customer value to highly valued customers will increase the organization's worth. Customer value takes the perspective of the organization's customers considering what they want and believe they get from buying and using a seller's product (see Table 10).

Table 10. A Summary of Five Definitions of Customer Value from Woodruff (1997)

Trade off of perceived Get versus Give	Zeithaml 1988
B2B worth in terms of total received benefits versus price paid, in relation to other suppliers offerings	Anderson, Jain, and Chintagunta (1993)
Buyers' perception of the tradeoff between quality or benefits relative to the sacrifice they perceive (price)	Monroe 1990
Perceived quality adjusted for the relative price of the product	Gale 1994
The emotional bond established between customer and producer after the customer has used a salient product or service produced by the supplier and found the product to provide added value	Butz and Goodstein (1996)

Finally, a distinction is made between purchase value and value-in-use. Received value from using a product is more likely to be judged by evaluating consequences, while purchase value is more likely to be attribute driven.

Anderson and Narus (1998) take a business-to-business perspective on how firms should build a value model from a managerial point of view. Value is defined as the worth in monetary terms of the technical, economic, service, and social benefits a customer company receives in exchange for the price it pays for a market offering. The

benefits are the net benefits including everything except price. The authors operationalized the value difference between two companies as follows:

(Value "s" minus Price "s") > (Value "c" minus Price "c"), so if the value remaining after price is subtracted is greater than the next best alternative, which could be vertical integration, you will choose the supplier with the greatest value.

To build these types of models, the authors suggest qualitative techniques so that an understanding of total supplier benefits can be understood. First, a cross functional team, including sales representatives, is critical so that their input can be used from the start. Since salespeople have close contact with the customers, have product knowledge, and have information about how the product is used, this recommendation makes good sense.

The next step toward completing a customer model is to determine all the ways the customer receives value from the offering. This should be obtained from the customer or by going to the customer's place of business to view firsthand the process or way the product is used in each functional area. Then a monetary estimate should be placed on the value. Finally, the model should be tested with other similar companies, and then with all companies in order to test for the ability to compare across firms. This understanding of value can help new product diffusion/acceptance, create stronger relationships, and can be used to attract new customers who are similar to existing customers and thus would get similar value in the use of the product, also known as segmentation.

Lapierre (2000) examines value drivers in a business-to-business setting in the IT industry. The value domain follows the get versus give conception of value in that customers receive both monetary and non-monetary benefits and give up both monetary

and non-monetary costs. The authors consider relational value drivers in addition to product attribute value drivers.

Through a literature review and interviews with top managers from both supply sides and customer sides of business-to-business firms in IT, communications, and entertainment, the following four factor solution to value is developed with the first three related to benefits and the final related to cost (see Table 11).

Table 11. Lapierre's (2000) Value Drivers

Product	Service	Relationship	Cost
Alternative Solutions	Responsiveness	Suppliers Image	Price
Product Quality	Flexibility	Trust	Time/Effort/Energy
Product Customization	Reliability	Supplier's Solidarity with Customers	Conflict
	Technical Competence		

Empirical testing of the value concept takes place using executives, or key informants. These key informants receive the survey through the mail. The findings suggest that quality was the least important value driver for distribution, finance, and IT. The price dimension is important, but not the most important for any of the three sectors. This important finding indicates that the operationalization of value as simply a trade-off between quality and price is myopic. Responsiveness and flexibility proved more important than quality while time/effort/energy proved more important than price. With that said, the authors use the value mantra as all a customer gets for all the customer gives up. The price variable varies in importance between the three industries, having the most

importance in finance and declining for the other industries, thus showing the varying levels of importance for the variable.

This work highlights the importance of learning the value drivers in the industry in which you work. Specifically, defining value as a quality versus price trade-off misses the relational components, service, and the remainder of the product and cost components. The author concludes that perhaps value should be conceptualized as value propositions, value-in-use, and then an overall value post-purchase evaluation. Thus, the importance of a properly conceptualized value construct is paramount in properly capturing and then properly providing value to customers.

Ulaga and Chacour (2001) focus is on what creates customer value from a business-to-business perspective, specifically from the buyer-seller relationship. Value creation falls under three domains: value through buyer-supplier relationships, value through alliance partnering, and value through relationships with customers. This concept takes the supplier's point of view and aims at the supplier understanding the customer's perspective.

Next, the authors examine the relationship between quality and satisfaction. Quality is seen as coming before satisfaction. The core concept of value as operationalized here is value judgment, which is a customer's assessment of the value that has been created for them by a supplier given the trade-offs between all relevant benefits and sacrifices in a specific situation. Thus, value has multiple pieces, is based on perceptions, and involves the competition or available options. The broadest conceptualization of value includes tradeoff between benefits and sacrifices where quality (i.e., a benefit) and price (i.e., a sacrifice) are the most studied components. Price may act

as a sacrifice or a prestige symbol. The authors take a perspective that a positive correlation of price and quality exist. As far as differences based on situations, different customer segments value different things. This may bring us back to Fishbein by each segment looking at different attributes and weighing the importance of each attribute differently while the competition per segment may differ. A multinational food manufacturer is the supplier for this study. The final model suggests customer perceived value is a function of quality and price, and price is composed of product related components, service related components and promotion related components.

Hunt (2002) presents resource-advantage theory (RAT) as a general theory of competition. This general theory consists of three broad parts including the resources at a firm's disposal, the market position in terms of their customers, and the resulting financial resources that a firm controls. A firm can be better, equal, or worse off on any of these components in relation to the competition. Hunt (2002) contributes to the value discussion by proposing that a firm can have a successful strategy if the firm's resources create either superior value or a relative cost advantage. RAT is consistent with SDL in that the operant resources can be a competitive advantage.

Spiteri and Dion (2004) test a model that positions customer value between received relationship benefits and overall buyer satisfaction which is linked to user loyalty and a three year average of market performance. The researchers conceptually develop and then test the value mediation hypothesis in a business-to-business perspective. Thus, the respondents were not end consumers. Perceived relational benefits is a formative second order construct comprised of perceived product benefits, perceived strategic benefits, perceived personal benefits, and perceived sacrifices.

Ulga and Eggert (2001, 2002) developed a conceptual model for customer value that includes quality and price, where quality consists of product related components, service related components, and promotion related components. Here, the conceptual model is tested in a veterinary clinic situation were vet clinic employees are the respondents. Thus, a business-to-business buyer situation is tested. Interestingly, the best fitting model excludes the customer value index. Customer satisfaction had a stronger effect on loyalty than did customer value. However, the respondent is not the end user, so it is possible that in a business-to-business market the things the buyer values will differ than from what the customer values. The concept of customer value is still important, however, in matching the product attributes with what the customer values.

The antecedents to customer value include a market orientation, organizational learning, firm expertise, communication with the customer, alignment of sales compensation with customer value, fairness in exchange, not engaging in opportunistic behavior, ethical behavior, shared values, promotional investments, relationship investments, innovation, quality management, seeking a competitive advantage, making processes more efficient, and initiatives to cut costs. Cites are given for each of these antecedents.

All value definitions consider benefits and costs in some way but vary as to the exact meaning of the components. Some examples include quality and benefits relative to sacrifice (Monroe 1991; Sheth Newman, and Gross 1991), to worth of a set of economic, technical, service, and social benefits exchanged for price of the product (Anderson, Jain, and Chintagunta 1993; and Burns 1993) to perceived quality plus emotional bond between customer and producer relative to price (Gale 1994; Butz and Goodstein 1996).

Their test showed a strong correlation between product benefits and overall satisfaction and end user loyalty, while insignificant results emerged between customer value and market performance.

Woodruff and Flint (2006) propose to clarify the nature of value because the authors believe marketing thought is seriously deficient in its understanding of customer value-related phenomena. The authors posit that marketing has relied too much on definitions and classification schemes and falls short of what is needed within the service-dominant logic paradigm, which is to understand how customers derive value from the experience in a dyadic context. The authors propose four different takes on customer value and close with none being just right:

1) Value-added concept: The firm creates the value by transforming operand resources. The firm infuses the product with value and this value is independent of the customer. This view underestimates the customer's role and can lead to the firm being caught in equating value with cost. This view is contra to value-in-use.

2) Economic worth of a customer: The customer as an operant resource that can be segmented and targeted (acted upon). This view is from the CRM literature that holds that the idea is to differentiate customers by the customer's value to the firm. This model explicitly states that firms seek value from customers.

3) Economic worth of a seller's product/service offering to customers: Customers translate worth into monetary equivalence. As in Zeithaml (1988), a deal is one example. Richins (1994) states that this may be too limiting, as some things people value (memory of a loved one) is outside the scope of marketing.

4) Value-in-use: Here value is derived from customer interaction with a product. In this case, the customer determines the value in a usage context, and the user makes a value judgment influenced by the importance of the situation.

The following are ways in which authors have operationalized the value concept are shown in Table 12.

Table 12. Operationalization of Value from Woodruff and Flint (2006)

Sheth, Newman, and Gross (1991)	Lai (1995)	Holbrook (1994)
Functional Social Emotional Epistemic Conditional	Functional Social Affective Epistemic Aesthetic Hedonic Situational Holistic	Intrinsic/extrinsic Self-oriented/other oriented Active/passive efficiency, excellence (quality), politics, success, esteem, play, esthetics, morality, spirituality.

Finally, in the business to business arena, Gassenhermer, Houston, and Davis (1998) separate economical value and relational value. Then, the question becomes what are these definitions based upon? The author proposes the answer lies in the following three definitions:

1. Holbrook (1994) "favorable disposition, general liking, positive affect, judgment as being good"
2. Woodruff (1997) separates value into two parts, the proposition and actual received value
3. Zeithaml (1988) recognizes multiple goals and breaks down into get/give.

The authors suggest qualitative research be used to uncover how customers perceive, think about, and engage in customer value processes. In addition, the authors suggest relational dyad research to see value from both sides.

Woodruff and Flint (2006) claim that marketing has overemphasized value from a perceptual state and underemphasized value from a process state. Authors argue for value as a critical phenomena, particularly originating from experiences. The concepts of co-production, relationships and value, and devaluing are areas for further research, as little research exists to date.

Priem (2007) examines customer benefits experienced and argues that management has neglected the customer side. Here, value is the subjective valuation of consumption benefits by a consumer. Exchange value is the amount the consumer pays. Value minus price is equal to consumer surplus, and price minus cost is seller profit.

Value capture represents the firm's ability to get a consumer to buy their product and keep the money away from upstream channel members (i.e., sell for more than you bought it). Value creation entails the consumer be willing to pay more for a novel benefit, be willing to pay more for something perceived to be better, or be willing to buy more at a lower unit cost (more volume). From the consumer's perspective, value creation involves increasing the use value (v) or decreasing the exchange value (p).

Also, the authors discuss that strategic management's view of value, where value is created by the firm, is in line with Wroe Alderson's point of view. The distinction between value capture and value creation is often blurred, and the terms are used incorrectly interchangeably.

Priem's (2007) value concept follows:

- Value is experienced by the customer during consumption.
- Value is subjective (differs from customer to customer).
- Current willingness to pay is affected by value propositions and income.
- A value system relies on the consumer as the sole source of payment.

A product that is not consumed has no value to the firm or to the customer. Thus, firms don't create value, which is novel for management literature. This perspective recognizes firms cannot ad value, so they call for firms to be value "aided" and argue all firms should be concerned about the end user, even pure business to business firms, because ultimately there is some end user that must be the focus.

Therefore, the firm's task is to focus on consumer benefits by properly combining and allocating scarce resources in such a way that the customer will want to pay the most into the system. So, maximizing consumer benefits maximizes the pie the entire value system will receive.

Next, an economic-like production function is developed in which the consumer spends time and money to watch an event, and the firm produces the event. The main moderator of enjoyment proposed is knowledge of the event, which they use to explain differences in subjective consumer value. Basically, the authors propose that the more you know, the more enjoyment you get out of an event.

The firm must properly put together a mix of attributes that turns into consumer benefits so the consumer will want to either buy more of the product for a higher prices or increase their purchase volume.

Next, a selection system and valuation approach are discussed in which either a peer based approach is used or expert based approach is used. A peer based approach is exemplified by painters judging other painters' works, while art critics' judgments represent an expert based approach. Neither seems particularly perfect, as the end users are not the judge. This is similar to journal articles where the stakeholders (students, practitioners, and society) don't act as reviewers. The conundrum lies in the reviewer system. Consumer goods are correcting this problem with tools such as urban spoons (real consumer restaurant reviews) instead of reviews by restaurant critics or other restaurant owners. Another example is movie review from IMDB.

Human capital approaches that can lead to differentiation are set forth as follows:

- Strategy 1: improve customer's knowledge through education, user groups, etc.
- Strategy 2: accelerate purchase though low introductory price or loyalty cards.
- Strategy 3: leverage what the customer knows about you at each touch point (such as Disney–see movie, go to ride, buy product at store).

Experts and sales people can substitute for human capital by making the acquisition experience less costly to the customer. The salesperson can sort through the many different alternatives to provide the customer with an option that best fits their needs. The authors conclude with the argument that focusing on customer value-in-use is under researched in management. Focusing solely on the exchange and leaving the use to chance is bad strategy. So, management must focus on aiding customer value creation.

Lepak, Smith, and Taylor (2007) discuss how firms create value. The article begins by discussing the different perspectives on value from management, marketing,

entrepreneurship and human resources, just to name a few. The article aims to define value creation, differentiate value creation from value capture, and discuss how the process of value creation may differ based on the targets and level of analysis. The main points are that individual employees can create value to the firm by innovation and process improvements; organizations can create value to themselves through innovation and technology; and stakeholders can create value through a long-term vision. Lastly, the authors suggest that firms create value to society through continuous innovation and job creation while governments create value through laws and regulations. Failure to capture value occurs when the exchange value is low for the firm and competition squeezes profits until supply equals demand.

Gronroos and Ravaald (2009) argue providers are in charge of the production process where customers can engage themselves as co-producers. Value is then created from the resources that are produced. So, firms create resources out of which customers derive value for themselves. Value for the customer emerges through using the product. The authors note that the view of value-in-use existed in 1965 from Nobel Prize winner Gary Becker, who stated that households create value for themselves by using the firm-provided resources.

Alderson (1957), one of the pioneers of marketing theory, is discussed as to how, in the long run, value-in-use is more critical to both the customer and the provider than value in exchange. This is so because customers buy a product on the basis of personal judgment of value in exchange, which is an expectation of value-in-use. If the expectations are not met, the customer will not buy the product again at the previously purchased price.

Zubac, Hubbard. and Johnson (2010) take the core competencies approach. Operant resources create value propositions in the form of better price and better performance, while use value is the price a customer would pay if only one supplier exists or the perception exists that a price premium is necessary.

Works Connected to the Satisfaction Paradigm

Castaneda (2010) focuses on the relation between satisfaction and loyalty in an online environment. The key findings are that the relation is moderated by involvement and mediated by trust. The evidence suggests the relationship between satisfaction and loyalty has a beta coefficient of about .5. Various possible relationships between loyalty and satisfaction are discussed, including linear and nonlinear in which customers with little satisfaction will be more loyal (the authors use the two-dimension approach to satisfaction). Involvement is thought to moderate the relationship such that highly involved customers will show more of a relation between satisfaction and e-loyalty. Finally, trust is the proposed mediator. The sample consisted of users of an e-store. Trust, satisfaction, and involvement scales were all used. Support exists for the model that placed involvement as the moderator and trust as the mediator.

Anderson, Fornell, and Rust (1997) examine the relation between satisfaction and productivity. They find that for service firms the relation between productivity and satisfaction is weaker than in goods firms. This suggests a trade-off exists for service firms seeking productivity. This article uses overall customer satisfaction as a key outcome variable. The two arguments are a positive relationship because of less need to rework and a negative relationship because of less employee resources available to help the customer.

Dixon, Freeman, and Toman (2010) discuss how the use of customer satisfaction as a proxy for loyalty is inaccurate. They show how very satisfied customers and satisfied customers display little difference in loyalty. This adds to the growing sentiment that customer satisfaction may not be the catch-all measure to maximize in marketing. They show that 25 percent of very satisfied customers pass positive WOM while 65 percent of unsatisfied customers pass negative WOM. The authors advocate solving customer problems, heading off the next ones, and empowering representatives to deal with customers' emotions. The authors also compared customer satisfaction with two other metrics, net promoter score and customer effort score, and, not surprisingly, customer satisfaction was the weakest measure of loyalty as measured through repurchase intentions and increased future spending. Customer effort deals with how hard a customer has to work to get a problem resolved. Some companies attempt to minimize customer effort by empowering the front line customer service representative with the ability to solve the problem on that call.

Dahlsten (2003) suggests that all too often companies are trying to retroactively fix what has gone wrong as opposed to understanding the customer's experience with the offering. The article then turns toward examining how Volvo scrutinized their use of satisfaction and pioneered new methods competitors don't use. Volvo actually experienced the phenomena in which reported customer satisfaction was increasing while loyalty was simultaneously decreasing. Additionally, Volvo sales slowed despite high customer satisfaction marks. Here, customer satisfaction is not the same as understanding the customer. The author states that while quality is an antecedent of satisfaction, they are certainly not one in the same. Focus groups show that managers have little understanding

of what actually constitutes customer satisfaction. This mirrors the service gap literature by Zeithaml (1993). The idea is that customer satisfaction is often reactive and does not focus on why the customer is satisfied or not. All too often, customer satisfaction leads to learning to improve what is already in place. So, overall customer satisfaction measurements can alert managers to a problem, but actually understanding how a customer uses the product and thus how the firm could make the customer's life better/easier/etc. through product improvements that affect customers' lives is the most valuable information. Some combination of qualitative and quantitative measures is likely to accomplish this goal. How customers load the back seat, use cup holders, use the product to accomplish things in their life or feel good is valuable knowledge. This can explain why they are satisfied or not satisfied.

Zeithaml, Berry, and Parasuraman (1993) operate under the satisfaction or dissatisfaction paradigm and under the traditional IHIP distinction of services versus goods. They combine the gaps model with the zone of tolerance to analyze the extent to which customers' needs are met.

According to Zeithaml et al. (1993), the concept of customer expectations as it relates to service is a multidimensional construct (Zeithaml, Berry, and Parasuraman 1993). Within the expected service lies the desired service, or the level of service a customer hopes to receive at one extreme point, and at the other extreme lies the adequate service level, or the minimum level of service a customer will accept. Between the two extremes lies the zone of tolerance, which can be thought of as a range of acceptable service in which the customer will not complain. The desired service level is typically seen as more stable than the adequate service level tolerated by customers.

The factors that go into the desired service include enduring service intensifiers and personal needs. Enduring service intensifiers are made up of derived expectations, which are seen when expectations of a service encounter are elevated by a higher level authority who expects top notch service from you; and also by personal service philosophy, where a person holds a general attitude about how the service should be carried out (Zeithaml, Berry, and Parasuraman 1993).

The factors that would influence the adequate service include the customer's perceived service alternatives, the perceived self-role in the service, and situational factors such as weather, catastrophes, and random over-demand, where only the latter factor would tend to increase the adequate service zone (Zeithaml, Berry, and Parasuraman 1993).

Several other factors influence both the desired service level and the adequate service level. The explicit service promises, such as marketing efforts of the firm, affect the desired service and the predicted service, which influence the adequate service. Implicit factors, such as price and other tangibles, affect both the desired level of service and the predicted service level, which in turn affects the adequate service. Word of mouth, from personal and experts alike, affect the desired service and predicted service, which affects the adequate service. Past experience with the service affects the desired service and the predicted service, which affects the adequate service (Zeithaml, Berry, and Parasuraman 1993).

The gaps occur when a customer is unsatisfied with a service experience. The consumer satisfaction/dissatisfaction paradigm is driven by the idea of disconfirmation of expectations. These gaps can occur within different facets of the service experience. The

first gap can occur between the desired service and the perceived service, or the adequate service and the perceived service. The goal is to minimize the gap between these two to maximize the perceived superiority of the service and to maximize the perceived service adequacy of the service. Prior to the adequacy and superiority approach, the "Gap 5" was characterized by only perceived service versus expected service. Clearly, since expected service is multidimensional, the idea of breaking down the expected service into smaller pieces seems very rational. Next I will explain the remainder of the gaps as characterized by Zeithaml et al. (1993). Figures 4-8 present a visual depiction of the gaps model.

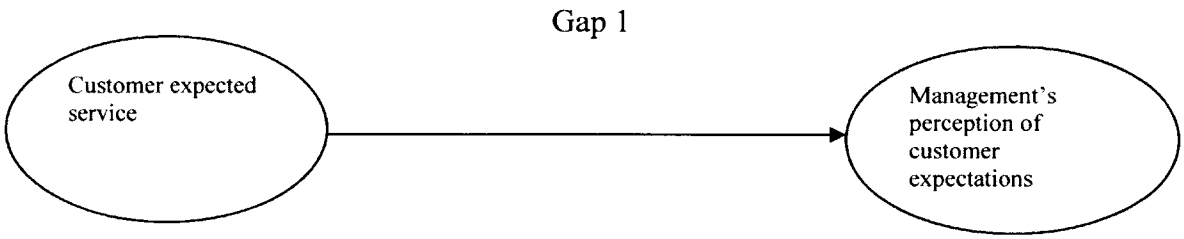

Figure 4. Gap 1

Gap 1 is between the expected service (customer) and management's perception of the consumer expectations. What management thinks the customer is expecting is incorrect.

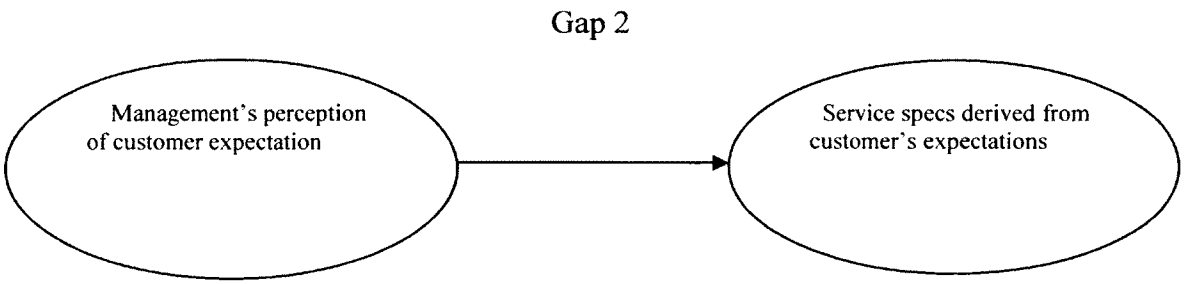

Figure 5. Gap 2

The second gap is between management's perception of the customer's expectations and how this translates into service quality specifications. In this case, management could be training the employees improperly to deal with the customer based on management's misunderstanding of the customer.

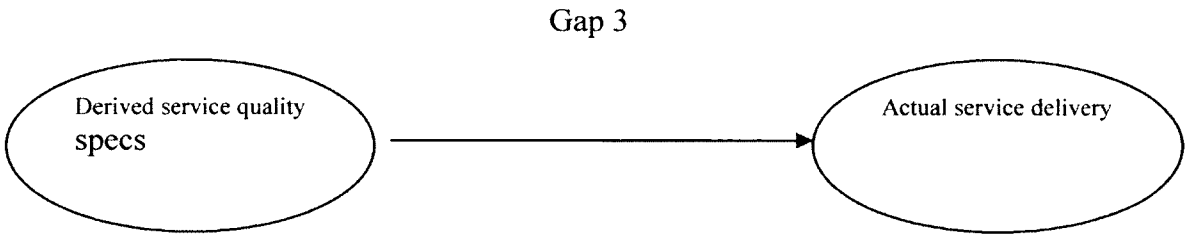

Figure 6. Gap 3

Gap 3 entails the service quality specifications and the service delivery. Here the specifications and the actual service delivery are not aligned. This may be caused by the employee not following training protocol when delivering the service.

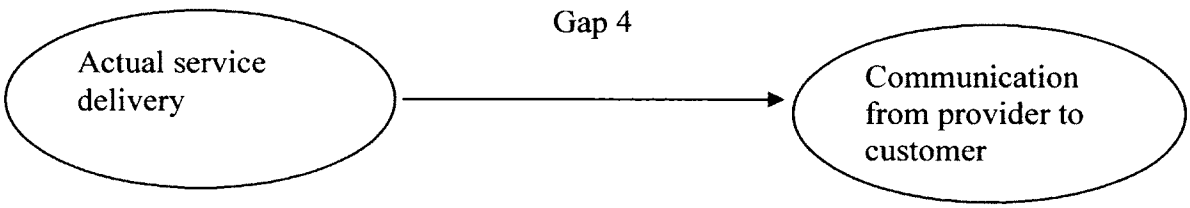

Figure 7. Gap 4

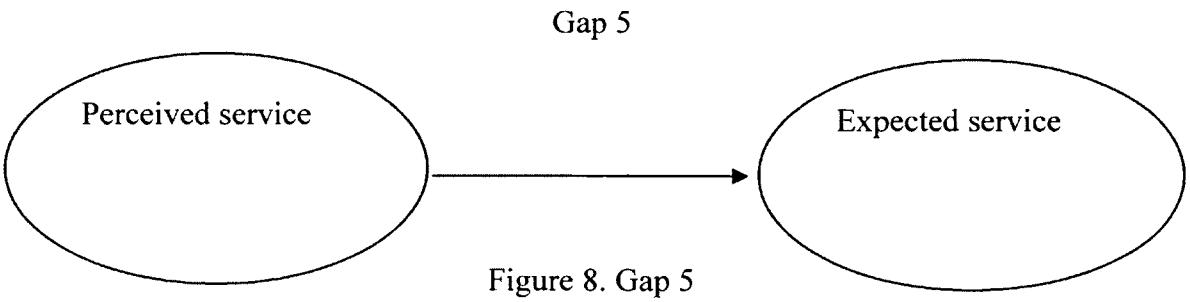

Figure 8. Gap 5

The final gap to discuss, Gap 4, entails the service delivery and the external communications to the customer. This is when the marketing message is inconsistent with what is being delivered. This gap can affect both the perceived and actual service and can be exacerbated by the fact that the company may falsely believe that they are within the quality specifications (Parasuraman, Zeithaml, and Berry 1985).

Traditionally, satisfaction with the service is vital because of findings that satisfied customers exhibit reduced price elasticity and build greater competitive resistance while the firm reduces the failure cost and enjoys an enhanced reputation (Anderson, Fornell, and Lehman 1994; Fornell 1992; Garnesh, Arnold, and Reynolds 2000).

Satisfaction has been investigated in terms of the expectancy-disconfirmation theory, "consumers judge satisfaction with a product by comparing previously held expectations with perceived product performance" (Oliver 1980; Garnesh, Arnold, and Reynolds 2000). Basically, satisfaction is a function of expectations and disconfirmation, where if performance is above (below) the expected, then positive (negative) disconfirmation occurs and increases (decreases) in satisfaction are expected. Assimilation relies on expectations, where the expectations are thought to gravitate toward previously held expectations (Oliver 1997). Additionally, according to contrast effects, the comparisons are thought to be magnified in the direction of the performance discrepancy (Oliver1997).

Thibaut et al. suggest that the key determinants of satisfaction are the comparison level and the comparison level of the alternatives (Thibaut and Kelley 1959; Garnesh,

Arnold, and Reynolds 2000). Central to this theory is that the comparison levels tend to move toward levels which are currently being achieved.

Balabanis et al. (2006) have also tackled the concept of satisfaction and loyalty as it relates to the internet. Their take on the subject is that satisfaction and loyalty have a non-linear relationship. This suggests that a high level of satisfaction with a website would not lead to a high level of loyalty. Instead, they advance the concept of switching barriers, which they found to be as important as satisfaction when attempting to explain loyalty (Balabanis, Reynolds, and Simintiras 2006).

Finally, returning to Garnesh et al. (2000), five dimensions are suggested which are thought to be relevant when determining service quality and satisfaction. The dimensions are tangibility, reliability, responsiveness, assurance, and empathy (Parasuraman, Zeithaml, and Berry 1985; Garnesh, Arnold, and Reynolds 2000). Chief among these is the people factor, which could be warmth, empathy, or the ability of the firm representative to relate to the customer. In fact, a service encounter could be viewed as a social encounter, thus the importance of the encounter between the company representative and the customer become paramount.

A service failure can occur in several ways. First, if the perceived service is below the adequate level of service expected, then from a customer point of view a failure has occurred. Similarly, when the actual level of service is outside of and lower than the zone of tolerance window, a failure has occurred. Of interest here is the fact that the zone of tolerance can expand and contract like an accordion attached to a ceiling, and the zone varies across customers. This implies that different customers have different zones of tolerances at different times. The analogy of the accordion attached to the ceiling serves

to illustrate that the desired level (attached to the ceiling) is subject to less variation than the lower part, which can expand to different levels based on the person and the situation.

The zones of tolerance vary across customers and a zone of tolerance can even vary between ZT1 and ZT2 for the same customer (Zeithaml, Berry, and Parasuraman 1993). The zone of tolerance illustrates the value of properly aligning the customer's expectations and the actual service delivery to minimize the perceived service adequacy gap. Of course, the other gaps provide a chance for a firm to fail as well. For example, if management and the customer are not aligned, then a failure is possible. Also, if management's perception of the customer's expectations is incorrect, and they incorrectly specify the service specifications, failure is likely to occur. Next, if the quality specifications are off, then the service delivery will be off. Finally, if the service delivery and the external communication are not aligned, then the firm is primed for a failure.

All of these scenarios speak to the critical importance of managers who understand the customer's expectations to curb the damaging effects of miscommunications. If a manager truly understands the customer and can properly train the service personnel to deliver on these expectations, and if the marketing message also reflects this understanding, then there is a good possibility that failure will be avoided.

Next, service failures can occur one time or span several incidents. Maxham and Netemeyer (2002) examine how customers respond to two consecutive service failures. Among the findings were that a firm cannot be a recovery expert and expect to take advantage of a recovery paradox, because it happens only once. The double deviation effect showed that a firm could have one error, but when the second one occurred, satisfaction and word of mouth drastically decreased. A "no good deed goes unpunished"

effect was found by demonstrating that the customer expectation level was elevated after a great recovery effort, and then when the second failure occurred the results were devastating. Also, it was found that customers tended to rate the second failure as more severe than the first failure, and the customers who reported a satisfactory recovery rated the second failure the most severe. The second failure created an attribution of blame toward the company because customers viewed the failure as a pattern. Two similar failures were also deemed unacceptable, presumably because it signaled to the customer that the firm failed to fix the problem the first time (Maxham and Netemeyer, 2002).

Hence, the solutions are to learn what the customer wants and align services to meet the customer's needs. A firm should not rely on being a recovery expert because the literature states that a "recovery paradox" occurs only once. If a failure occurs, the recovery should be enough to soothe the hurt, but caution should be exercised when attempting to "wow" the customer back. This could inflate the customer's expectations to a level the firm cannot attain and maintain. If this were to happen, a second failure would become more likely.

Customers who switch due to dissatisfaction are typically the happiest of switchers. Comparison level theory states that customer expectations move toward the level of currently attained outcomes. So a customer who is routinely experiencing failures will move into the new relationship with a reduced expectation level which will make it easier for the switched-to firm to create satisfaction (Garnesh, Arnold, and Reynolds 2000). These customers are more likely than stayers or satisfied switchers to display active loyalty, which consists of spreading positive word of mouth and a strong intent to use more of the firm's services in the future, while at the time the same customers show

less signs of passive loyalty, which can be characterized as price elastic and resistance to switching. Put simply, these customers will remain loyal as long as the new firm does not attempt to "hurt" them by raising prices or otherwise acting unfaithfully.

Garnesh et al. (2000) also investigated the satisfied switcher and the stayer to determine their levels of satisfaction. The interesting findings are that the satisfied switchers are the least satisfied of all customers. Comparison level theory helps us understand this finding by explaining that customer expectations tend to move toward the level of outcomes that are currently being attained. Since the outcome bar is set at a high level, the hurdle rate for the switched to firm is high.

Prospect theory suggests that failures are weighed more than successful service encounters. None the less, under most circumstances, a single failure will not cause a customer to switch. Maxham et al. (2002) noted that a firm can make a recovery where the customer is as satisfied, or possible more so, than prior to the failure. The recovery paradox is where the customer is more satisfied after the failure recovery period than they were prior. As a cautionary note, this effect only happens one time. After that, the second failure is damaging and most customers will attribute the failure to a systematic firm problem rather than a fleeting situational instance.

Since being a recovery expert will not allow the firm to create success, the best approach to fixing recoveries is to fix the service gaps prior to their occurrence. Since the gaps have been elaborated on prior, only an example will be provided. If the perceived service failure is due to unmet expectations, then it would be wise to ascertain if there is a gap between the service expected by the customer and the media message, management, delivery, or quality specifications. The most effective way to manage failure is to prevent

it from happening in the first place. If failure occurs, the recovery should be such that it does not overly inflate the customer's expectation of future firm service. This could set the firm up for a second failure, from which recovery is unlikely.

Churchill and Surprenant (1984) test a model to understand the determinants of customer satisfaction. Expectations, product performance (imaginary), disconfirmation, satisfaction (attribute specific beliefs, affect, global), and purchase intentions are all in the model. Two products, a video disk and a plant, were used to represent a durable good and a non-durable good and neither product was a real product, thus the manipulations lead the subject to believe this is a new product.

Expectations and performance were manipulated to be either high, medium or low for each. Expectations are manipulated by varying the text through source credibility, and performance is manipulated by a device on a television that varied the sound and picture quality. Manipulation for the plant varies size and growth rate. Manipulation of disconfirmation occurs indirectly through the experiments and is then measured.

The results indicate the effects of expectation, disconfirmation, and performance on satisfaction may differ for durable and nondurable products. For the plant, the results parallel the norm: initial expectations have a negative effect on disconfirmation whereas performance had a positive effect. Disconfirmation positively affected satisfaction as is commonly held. When subjects perceived the product to perform better than expected, they were happier, and vice versa. Expectations and performance also affected satisfaction directly.

For a non-durable product, neither the disconfirmation nor the initial expectations affected subjects' satisfaction, only the performance. So, expectations do have a

noticeable impact on satisfaction for the durable product whereas only performance affects satisfaction for the non-durable. This could be because the subjects were asked to visualize using the product for a month but did not actually use the product.

Voss, Andrea, and Seiders (2010) examine the satisfaction-repurchase link with satiation as the moderator. The authors acknowledge times when satisfied customers do not repurchase. In the literature review, the authors review Seiders' (2005) work, which concludes that inconvenient purchases, low involvement purchases, and low-income customers failed to repurchase simply from being satisfied.

Satiation is the proposed moderator here. A weak satiation effect is when demand for a product increases as income increases. This ranges from eating out at restaurants to addictive shopping behavior. Complement affects go along with weak satiation, which can also serve to stimulate product demand. Here, relationship and market characteristics serve as the moderator and can make the relation between satisfaction and repurchase stronger. Conversely, strong satiation effects are when the demand for a product falls as income rises. Obvious examples include spam and public transportation. Substitute effects follow strong satiation effects.

The authors conclude that, in weak-satiation purchase categories, firms can benefit from simultaneous investments in customer satisfaction and marketing initiatives that complement satisfaction. The moderating influences substitute for satisfaction in strong satiation purchase categories, allowing firms to likely benefit from investments in customer satisfaction or substitute initiatives, but not from both.

Diener and Ng (2010) use the Gallop Poll to conduct research where members of almost every nation were polled to determine if money drives happiness. The findings

suggest income is a strong predictor of life satisfaction, while relationships and learning are predictors of positive feelings. A modest correlation between income and positive and negative feelings existed. Further, societal income had a strong effect on life satisfaction over and above personal income and material possessions, indicating the desirability, as far as life satisfaction, of living in a developed nation.

Falk, Hammerschmidt, and Scheprs (2010) show a non-linear relationship for different types of "quality" on customer satisfaction. Specifically, the results show that utilitarian quality will fail to delight customers as the relationship matures in an e-service context in Germany. Alternatively, increases in "hedonic quality" only bring about a linear relationship in satisfaction for experienced customers.

Prospect theory suggests that a one unit decrease in attribute performance will have a larger negative effect on customer satisfaction than would a one unit increase in attribute performance to customer satisfaction. Alternatively, customer delight theory suggests that a delighted customer will be more surprised and excited, and thus will show larger gains in customer satisfaction.

The American Consumer Satisfaction Index

Fornell (1992) developed the the Customer Satisfaction Barometer (CSB), which is a "weighted composite index based on annual survey data from customers of about 100 leading companies in some 30 industries." The index is expected to have a direct impact on future performance.

The relationship between market share and satisfaction is expected to be negative, and moderators such as the industry are expected. A chart is presented which suggests firms have an offense and a defense. The offense is for gaining new customers through

techniques to increase market share while the defense is attempting to keep the current customer through switching costs and increasing customer satisfaction. These strategies are usually used in low growth markets where a firm can take away from the competitor (market share) and/or defend its current customer base. Also, the relationship between market share and satisfaction can be negative when heterogeneous demand and homogeneous supply conditions exist.

An example of why the tradeoff exists is illustrated by using a normal distribution and a duopoly. One firm is on the right tail of the distribution offering high price and high quality. A second firm is just to the left of the first firm and offering a slightly lower price and a slightly lower quality. Firm 2 will have more market share because members of the group who want a low price and low quality are buying from this still high price/quality firm when it doesn't match their desires. Here, Firm 1 will have more market share and less customer satisfaction and Firm 2 will have more satisfied, homogeneous customers. Also, switching costs could act as a liability. If a customer is aware of a switching cost at the time of purchase, it may deter him from purchasing.

This index's intent is to provide a snapshot of the health of the (1) country, (2) industry, and (3) individual firm. The idea is that the higher the index, the less customers will switch. Over time, the index will act as a predictor of performance by shifting out the demand curve, which leads to a reduction in marketing costs to keep customers, insulates against competitors, allows more cross selling of other products, lowers company employee turnover, reduces failure costs, and increases favorable word of mouth.

The three measures for satisfaction are general satisfaction, expectancy disconfirmation, and comparison to an industry standard. The authors themselves realize

that skewedness is problematic in that 80 percent of customers are satisfied. If everyone is satisfied but companies still show a disparity in performance, then what is driving this apparent disparity? This could be customer value.

The authors take an industry view and then a firm view for satisfaction. The relation between loyalty and satisfaction seems to be rational in that firms acting as monopolies tie in less to satisfaction than are firms where the customers have a choice. So, the service-dominant logic paradigm says that a company can issue value propositions, meaning this would be an offensive strategy, as opposed to satisfaction, which is a defensive strategy.

Anderson, Fornell, and Lehmann (1994) match the satisfaction measure with ROI and market share. Two types of customer satisfaction are cumulative and transaction specific. Cumulative represents an overall evaluation based on the total purchase and consumption experience with a good or service over time, whereas transactional represents a post choice evaluative judgment of a specific purchase occasion. This work treats customer satisfaction as cumulative. The authors propose that satisfaction requires experience with the product whereas perceived quality does not. In addition, they argue that satisfaction depends on value, such as a ratio of perceived quality relative to price e.g. Zeithaml (1988), or benefits received relative to the cost incurred.

The overall model is that past expectations and past experience with quality will feed into current expectations. Quality, price, and expectations will feed into satisfaction, and satisfaction will lead to profitability.

The method used is a random digit dialing technique to find customers who have used the firm's offering recently. Several screening questions are asked, and 10 point

scales are used. The firm level metrics are ROI, but the authors suggest that stock price would be a good variable. This work came about largely due to the frustration of companies at the time to improve their bottom line through total quality improvements. The companies were not achieving the results they anticipated. This work suggests satisfaction is the driver. Now it seems that companies are experiencing the same frustration with satisfaction. They did find a negative relation between market share and satisfaction. This is a short-term phenomenon in which market share increases because less satisfied customers enter. In the long term, however, the customers will become more satisfied. It is also offered that customers do change their quality expectations over time as the quality from a firm changes. This change is slow, so changing a given strategy should take a long-term perspective, as it will not yield a short term fix.

Fornell, Johnson, Anderson, Cha, and Bryant (1996) further elaborate on the satisfaction index and offer some interesting words about company scores. While not all of the satisfaction items were given, they did mention that Wal-Mart scores high compared to the product category, which deserves further attention.

The actual satisfaction index consists of three items:

1. One inquiring about satisfaction (rate satisfaction from zero to 100),
2. Another about disconfirmation (worse/better than expected), and
3. Another about the ideal service from the category.

The overall model tested included perceived value, perceived quality, and expectations as exogenous constructs which feed into satisfaction, which in turn feeds into loyalty and customer complaints.

Early literature adopted a narrow view of perceived value as a comparison of quality to price and price to quality. The early literature view of perceived value is consistent with the Claus Fornell conceptualization of value. The satisfaction items were satisfaction, disconfirmation, and performance versus ideal in category. The measure of quality asks about reliability and customizability. The pre-purchase questions were about expectations of quality, customizability, and reliability. Quality post purchase was also assessed. Customer complaints and three loyalty items were included (repurchase intentions, price tolerance given repurchase, and price tolerance to induce repurchase).

The method asks customers to think of a purchase and then answer the questions. Many different categories were included, and they are manufacturing, transportation and communications, retail, finance, services, and public administration and government. Some of their findings include the relative importance of customization over reliability. This work also backs the proposition that value is important at the beginning, and then the importance fades as quality takes over, particularly during consumption. This is possibly the case due to the narrow formation of the value concept. Price driven satisfaction was found for categories where the customer has fewer choices (such as utility companies) and less so under retail, manufacturing, and services. Other findings show that industries where satisfaction is price driven, less loyalty exists but repurchase intentions are higher. This probably entails switching costs, and the nature of the offering doesn't allow the customer many choices.

Clearly, this review of the literature reveals a plethora of research has been done on topics related to value, but to date what we know about value, as customers perceive it and how it impacts their purchasing behavior, is surprisingly little. The marketing

discipline can benefit from the development of a better understanding of this crucial piece of purchasing behavior.

Introduction to Conceptual Development of Dissertation Research

The following section will draw from the literature review and relevant theory to produce a working conceptual model, shown in Figure 9. The dissertation does not test this model as a full test is beyond the scope of any single study, but the model does lead to a conceptual framework capturing the key research questions. This model provides a broad based depiction of the expected flow from prior to consumption to consuming an operant resource to post consumption of products. Figures 10 and 11 provide a depiction of the eventual flow from prior to purchase until after a purchase has been made.

Next is a presentation of the research questions this dissertation seeks to answer. Specifically, the dominant question raised is whether value is indeed a key variable in relation to loyalty and firm performance, and, if so, to what extent do the separate but intertwined value components contribute to the outcome variables.

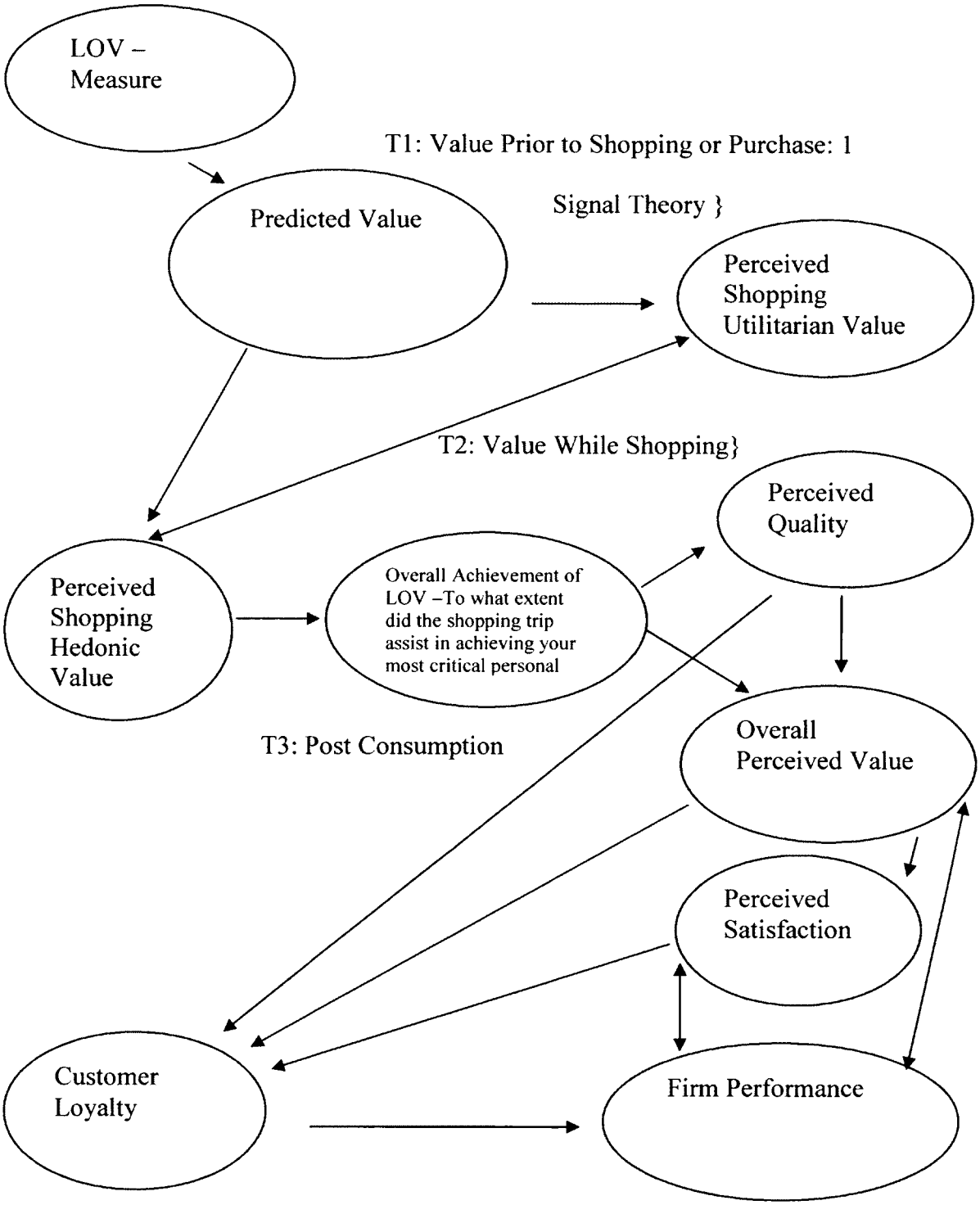

Figure 9. Working Conceptual Model

Conceptual Framework

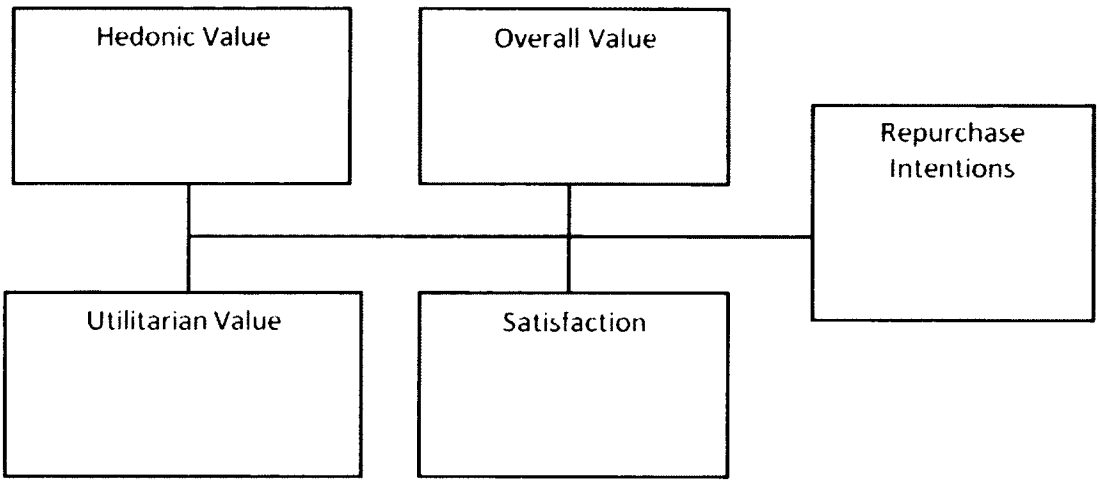

Figure 10. Pre-Purchase to Purchase to Post-Purchase

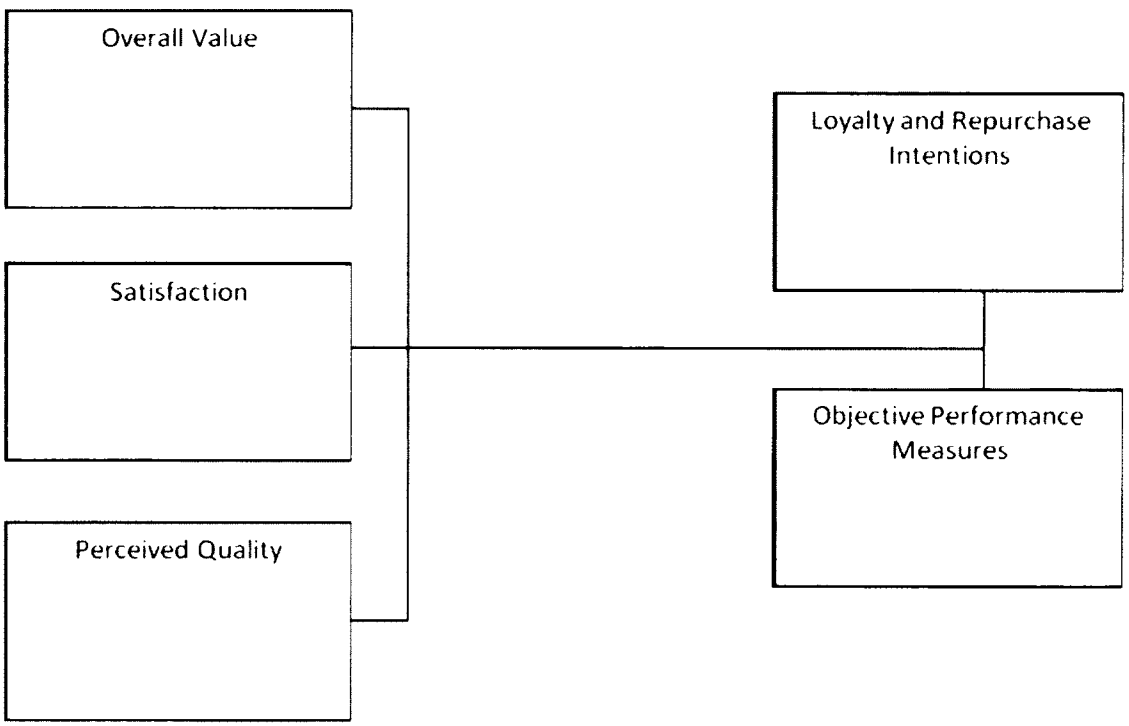

Figure 11. Post-Consumption to Firm Performance Measures

Figures 12 and 13 represent the competing models to assess the value of value. In a sense, the two models will determine if satisfaction is a mediator between value and outcome variables, as in the American Customer Satisfaction Index, or if value stands on its own with a direct relation to key outcome variables. Presentation of Hypotheses 1 and 2 follow.

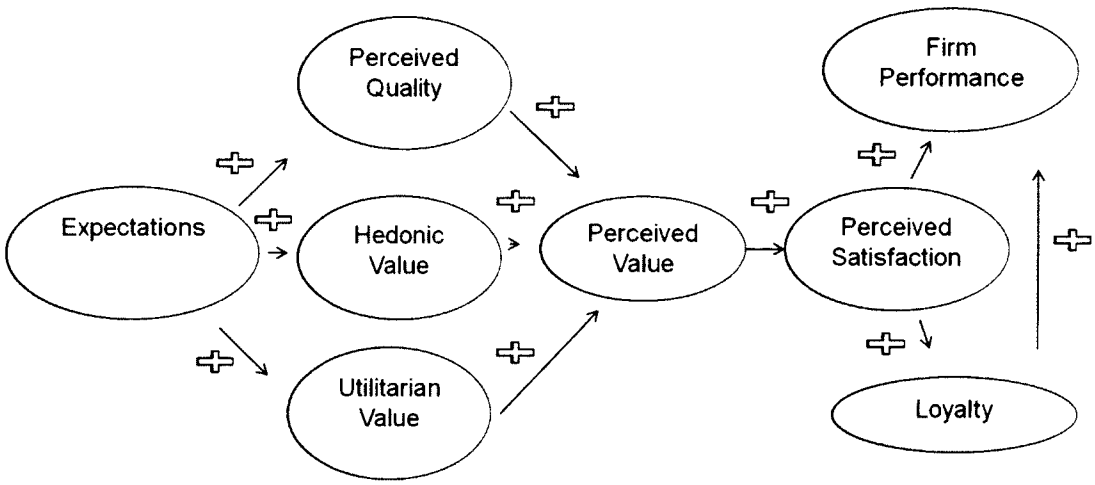

Figure 12. Competing Model 1

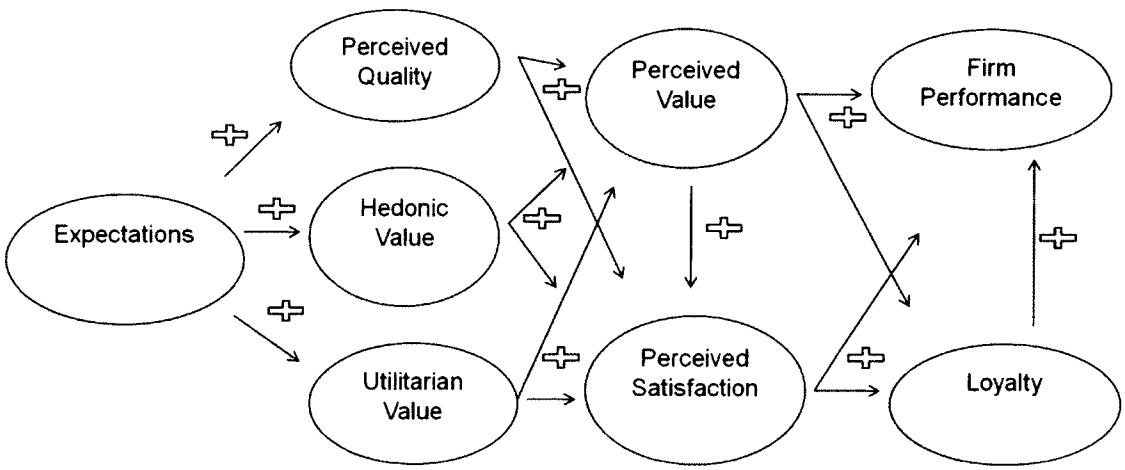

Figure 13. Competing Model 2

Following the test for broad based survey, the experimental portion of the dissertation is presented with the scenarios and the accompanying hypotheses. The

purpose is to assess satisfaction's role, versus utilitarian and hedonic value, in a controlled environment.

The final portion of the conceptual development chapter is a list of definitions and measures of the relevant variables and constructs. The definitions are taken from the literature review and the measures are taken from established scales. This will provide a basis for measuring each construct in the various models.

Research Questions and Conceptual Development

- Research question one: What is the relative diagnosticity of consumer value perceptions from interactions with the firm and superior firm financial performance?
- Research question two: What value dimension is most predictive of firm performance?
- Research question three: What drives customer loyalty? Does customer satisfaction/dissatisfaction or customer value better explain true customer loyalty?

The conceptual model presents a sequence in which value is included in several parts of the consumption process (Woodruff 1997, Woodall 2003). First, value expectations occur prior to the shopping or purchase of a product in the form of value expectations (Webster 1994). Woodruff (1997) calls the first value component the value proposition based on the desired attributes and desired performance. Shopping value is the next link in which to assess value attained from the shopping experience. Utilitarian and hedonic shopping values ascertain the interrelatedness of the value expectations with the two components of shopping value (Babin, Dardin, and Griffin 1994; Mathwick, Malhotra, and Rigdon 2001).

Next, an assessment of whether accomplishment of personal values from the shopping and product experience (Kahle and Kennedy 1989) alters the resulting evaluation of overall value, quality perceptions and satisfaction. Further, the literature suggests satisfaction relates positively to repurchase intentions (Johnson, Anderson, Cha, and Bryant 1996). The final construct, firm performance, relates positively to customer loyalty.

The value components, also included in the model, along with the satisfaction measure, will be assessed as to their correlation with performance measures which include EPS and ROI. This will provide an answer to the question of to what extent a value-providing firm leads to financial performance.

The Vargo and Lusch (2004) concept of value-in use as central to the service-dominant logic paradigm defines service as doing something for the benefit of another. Here, using a firm's service entails several, possibly related, value components. First, expectations prior to shopping and purchase can be built by a combination of factors including prior experience, the marketing message, and word of mouth just to name a few (Vakratsas and Ambler 1999; Farley and Ring 1970). In fact, information integration theory suggests the marketing message can act as a frame of reference which has the potential to mitigate a negative trial (Smith, 1993). However, experience trumps the advertising message (Vakratsas and Ambler, 1999). These value expectations can have an effect on the ultimate value attained (Woodall 2003). The value-in-use component includes the customer's experience while attaining the product, which is operationalized here as the shopping value in a retail context. The two dimensional approach to measure service (SDL) at the time of shopping and purchase can be assessed using the

intrinsic/extrinsic approach (Holbrook 1994) or utilitarian/hedonic shopping values (Babin et al. 1994). After all, a firm or store can differentiate itself by providing a pleasant shopping experience or by providing the ability to get in, out, and on your way (Babin and Babin 2001).

A second way a customer can attain value-in-use of a shopping trip or use of a product would be to use the product to assist in solving unmet personal values. Here, the LOV, or list of values scale (Kahle and Kennedy 1989), represents a parsimonious way to assess the dimension which he or she values most. Given that personal construct theory (Kelly 1955) treats people as scientists who continuously update theories and hypotheses based on results, it makes sense that a consumer would assess, at least to some extent, whether their personal values are achieved after a consumption experience.

Post consumption is the point where a customer can actually assess the attained value (Woodall 2003; Xie, Bagozzi, and Troye 2008). Here the customer is in a position to properly assess the outcome variables. First, perceived quality is the customer's judgments about a product's overall excellence or the superiority of an offering. Next, the Zeithaml (1988) concept of get versus give entails everything received versus everything given up (Babin and Harris 2009). In addition to overall value and perceived quality, the literature suggests satisfaction feeds into repurchase intentions simultaneously with value (Cronin, Brady, and Hult 2000). This approach is not universally agreed upon, as Fornell, Johnson, Anderson, Cha, and Bryant (1996) posit that value has no direct effect on key outcome variables other than through satisfaction. However, value theory and past findings suggest value is a key component of repurchase intentions and firm performance (Brodie, Wittome, and Brush 2009).

Fornell, Johnson, Anderson, Cha, and Bryant (1996) suggest satisfaction is negatively related to customer complaints and customer complaints are negatively related to firm repurchase intentions.

To this point, the research is able to answer the research questions through the use of correlations in a structural causal model. However, to better assess the causal relationships, an experiment is necessary to determine the effects of manipulating satisfaction and manipulating value components (Zikmund and Babin 2010). A more detailed explanation of the hypotheses follows by presenting two models.

A competing models test will determine if the best fitting model includes a direct path from value to satisfaction or if the model ought to be value feeding into satisfaction by comparing fit indices between Figure 12 and Figure 13. This will assess if satisfaction is the lone mediator between value and the outcome constructs or if value stands along with satisfaction as a key determinant of loyalty and firm performance. The hypothesis based on value as a key predictor of customer loyalty is that satisfaction does not mediate the relationship between value and the outcome variables. Wal-Mart represents an example of the first hypothesis. Wal-Mart attains strong financial success while consistently earning low customer satisfaction scores. Overall value represents an alternative mediator to the Claus Fornell customer satisfaction model that places satisfaction as the sole mediator construct. All other relationships are expected to produce positive betas and gammas respectively. This hypothesis represents research questions one and three.

Thus:

H1: In a competing models framework, a model linking value and satisfaction with loyalty and firm performance will display better fit relative to parsimony than a model with satisfaction as the lone mediator.

H2: Perceived value will have a stronger relationship with customer loyalty and firm performance than will satisfaction. All other predicted relationships should be positive and significant.

Manipulation of Utilitarian Value, Hedonic Value, and Satisfaction

To assess the value components and their relationship on key outcome variables, utilitarian value, hedonic value, and satisfaction are manipulated to assess the impact on value, loyalty, and repurchase intentions. The exact manipulations are forthcoming as part of Chapter 3. The intention is to manipulate utilitarian value, hedonic value, and satisfaction in a scenario format. This hypothesis represent research question two. Here, the dominant research hypothesis is that a low satisfaction condition will not affect key outcome variables (loyalty, repurchase intentions, and value) as much a low satisfaction condition in hedonic or utilitarian Value.

Hypothesis 3: A low (high) utilitarian or hedonic value experience will produce a more adverse (positive) affect on outcome variables than will being dissatisfied (satisfied) via not meeting (meeting) expectations.

Satisfaction, utilitarian value, and hedonic value are manipulated to determine the efficacy of each. The satisfaction manipulation works by informing subjects that expectations were met (satisfied condition) or not met (unsatisfied condition). Utilitarian

value and hedonic value are manipulated based on the respective definition of the construct.

Appendix A presents the definitions of each item, the scales, and the authors from which the scales are borrowed. Items are adapted to fit the context. For example, the hedonic value items are slightly different depending on whether the scale is used in the airline context or the retail context.

CHAPTER 3

RESEARCH METHODS

Introduction to Research Methods

The methods section discusses tools appropriate for testing the proposed theoretical models and associated hypotheses. The conceptual development section in Chapter 2 includes the models (Figure 12 and 13), definitions of the constructs, and the measures by which to collect the data for both the survey and the experiment. Appendix 1, at the end of this chapter, lists constructs, definitions and potential measurement scales.

The research methods can be described in two parts. First, a description of the survey research explains the sample and firm selection process. In addition, a description of the proposed instrument to collect data is provided. A brief overview of CFA and SEM techniques necessary to test the proposed measurement theory and models concludes the description of the survey portion of the dissertation. The survey research provides a high ratio of external validity.

Second, an experimental design is described that allows maximum control and high internal validity. The critical considerations for the experiment, the design, power consideration, and experimental manipulations are discussed. The experiment has two contexts: the first is an airline context, and the second is a retail context.

Both contexts provide a venue to test the critical importance of a firm's operant resources versus satisfaction. Specifically, loyalty and value received capture the impact of the manipulations. The experimental manipulations are included at the end of this section. The airline context is a low participation context while the retail context is a high participation context. The different contexts will allow for stronger generalizations when the results between contexts are consistent.

Methods Section for Survey: Sample and Survey Development

The data set includes responses from a representative United States consumer panel. Data collection will be attained using an online sampling firm with access to consumers across the U.S. The data include five measures of consumer perception of 15 firms, the same firms currently used in the American Consumer Satisfaction Index (ACSI) under the department stores and discount stores and supermarkets headings and seven airline service providers under the airline heading of the Consumer Satisfaction Index. The list of service providers offers a diverse group of companies with varying strategies from low-cost service providers to high-end service providers.

A list of the 22 focal firms is provided in Table 13 (15 U.S. retail firms and 7 airlines). A maximum of 450 respondents will be sought for the U.S. sample, and a maximum of 210 respondents for the airline sample. Thirty respondents will fill out a long form survey for each company. Each respondent will first fill out a 15-question battery regarding the firms the respondent is familiar with to assess the customer's perception of the value achieved, customer satisfaction, satisfaction, loyalty to the company, and hedonic and utilitarian value derived from the firm's operant resources.

Table 13. List of Service Providers

Southwest Airlines	Nordstrom	Whole Foods
Continental Airlines	Kohl's	Kroger
American Airlines	J. C. Penney	Winn-Dixie
Delta Airlines	Dollar General	Safeway
U. S. Airways	Dillard's	Supervalu
Northwest Airlines	Target	Publix
United Airlines	Macy's	
	Sears	
	Wal-Mart	

The respondent will see either the 15 retailers or the 7 airlines. The respondent will only answer questions if familiar with the firm. A "don't know" option will be provided to the respondents. The 15-firm battery and 7-firm battery will be presented to respondents in random order. If each respondent rates 15 companies, the sample will be 450 respondents per firm for the retail sample and 210 respondents for the airline sample. Some firms will be rated by more respondents than others, since not every respondent will be familiar with every firm.

A cover letter explaining the university use of the feedback and assuring respondent anonymity will be shown to the respondents prior to beginning the survey. The survey questions use Likert scales, multiple choice selection, and slider scales to capture the respondents' feedback. The Qualtrics survey is available upon request.

Common method bias is addressed by using objective firm measures as a dependent construct, by using different scales and sliders within the survey, and by assessing any remaining doubt through use of a common factor (Richardson, Simmering, and Sturman 2009). Churchill and Iacobucci (2005) offer guidance concerning the questionnaire and data-collection form. This survey will use scales from published sources (Churchill and Iacobucci 2005).

The delivery method will be through the internet panel, and respondents will respond using a computer interface. To begin the survey, the software displays the IRB statement and then displays instructions indicating that respondents are going to answer questions about shopping. The next screen will show the name of a retailer, randomly chosen from the list of participating companies. The respondent will be screened for familiarity with each retailer they will be asked to rate. An eight-week cut point is recent enough that a respondent should recall the event. Thus, respondents will be asked if they have been to the presented retailer in the last eight weeks. Additionally, a question measuring the last time the location was visited will further assist in measuring familiarity. Pretesting via cognitive interviews will confirm or reject the validity of the eight-week cue. If a respondent answers "no" to the cue, then the respondent will be asked about a second store. Respondents will have three tries before being directed to the end of the survey.

All of the stores will be randomly presented to respondents for the given setting. For example, a single retail store will be presented to a respondent and the question will ask if the respondent has shopped at the store in the past year. Stores will be presented one at a time in random order. Once a respondent answers "yes," the respondent will be administered the survey to build the model for Figures 12 and 13. The store name that the respondent answers "yes" to will be automatically populated into the appropriate field for survey instructions and answer stems.

Pretest

A pretest examine (1) the appropriateness of the wording, (2) the respondent's ability to answer the questionnaire, and (3) the extent to which the respondent and

researcher share a common meaning for the instrument items. Cognitive interviews with representative consumers will be undertaken prior to finalizing the survey instrument. Survey modifications altered wording to make manipulations more precise.

The two dependent constructs are loyalty and firm performance. Firm performance is captured by a combination of publicly available information including EPS and ROA. These data are available through SEC.gov, Yahoo Finance, and annual reports. In cases where the data are unavailable, the firm will be deleted from the sample. To be consistent with the ACSI, only firms that are currently included in the ACSI are included in this dissertation. To assess the correlation between performance and satisfaction and value, the most current financial data will be matched against the respondent's assessment of the value received and the satisfaction received.

Research Question Analysis

The first hypothesis states that in a competing models framework, a model linking value and satisfaction with loyalty and firm performance will display better fit relative to parsimony than a model with satisfaction as the lone mediator. Two alternative structural models, one including satisfaction as the only mediator between perceived value and the outcome variables and another with value and satisfaction both contributing to loyalty and firm performance, will be compared. This represents a test of the Claus Fornell model that places satisfaction as the sole mediator versus a model that places value as a direct contributor to firm value. This hypothesis can be tested by comparing the fit indices between Models 16 and 17. The implication is that a model with a direct link from value to outcome variables will fit better and be more parsimonious than a model that includes a link from value to outcome variables only through satisfaction.

The second hypothesis states that value will have a stronger relationship to outcome variables such as loyalty and performance metrics than will satisfaction. This hypothesis will be either supported or not supported based on the correlations between value and key outcome variables and satisfaction and key outcome variables. The implications are that offering value to customers provides a more telling diagnostic as far as firm performance than does a mild emotion such as satisfaction. These hypotheses represent research questions one and three.

CFA and SEM Explanation

Confirmatory factor analysis and structural equations modeling are the tools to test these hypotheses. Confirmatory factor analysis will be the first test of the model. Four pieces make up construct validity: convergent validity, discriminant validity, nomological validity, and face validity. Face validity is determined prior to survey launch by having expert judges examine the questions to assess the extent to which they measure what they are supposed to measure (Babin and Griffin 1998).

Convergent validity means the latent construct and the measured variables should "converge," or share a high proportion of variance in common (Hair et al. 2010). Several methods exist to test convergent validity. Factor loadings between a latent construct and the measured variables are a way to assess convergent validity. We would expect the loadings to be at least .5 and hopefully above .7. If an item does not have a loading above ".71," the item contains more error than variance explained (.71*.71=.5). Of course, all loadings should be statistically significant.

The factor loadings can be used in two more ways to help determine convergent validity. The concept of variance extracted follows the same logic as discussed above:

the squared standard loadings sum divided by the number of items (the average) should be at least .5. If this is not the case, there is more error in the items than variance explained (Hair et al. 2010). Reliability can also be assessed using the factor loadings. CFA can examine a construct and its measures and assess reliability by summing the factor loadings, then squaring them, and dividing by the sum of the factor loadings, squaring them, plus the sum of the error, then squaring. This can be looked at as the proportion of explanation to error. Acceptable reliability is above .6, and this measure indicates that all of the measures consistently represent the same construct (Hair et al. 2010). Coefficient alpha has also been used but it suffers from problems such as not being able to assess unidimensionality and generally understating internal consistency (Babin and Griffin 1998), which makes the coefficient alpha less useful in CFA.

Discriminant validity is the extent to which a construct is different from other constructs. This can be tested by examining if the variance extracted for each factor exceeds the square of the estimated correlations between the two factors (Babin et al. 1994; Hair et al. 2010). A construct should explain more variance in itself than in other constructs. Therefore, a comparison of the Phi-squared matrix with the average variance extracted provides a test to assess discriminant validity. A low fit statistic would also provide evidence that a lack of discriminant validity exists.

The nomological validity is a measure to assess if the relationships make theoretical sense. The correlations are in the Phi matrix. Relationship assessment as to whether the correlations make theoretical sense is the determinant for nomilogical validity. For instance, hedonic value and utilitarian value should share a positive

relationship with overall value, and loyalty and performance should share a positive relationship.

The direction of causality is theoretically strongest from the constructs to the indicators, which implies that a reflexive model is appropriate (Wilcox, Howell, and Breivik 2008). With the assumption of reflexive indicators, this research assumes the measures of constructs should correlate. Dropping an item should not alter the meaning of the construct. Measurement error is considered at the item level, not at the construct level, and scale scores do not adequately represent the construct (Jarvis, Mackenzie, and Podsakoff 2003).

Prior to assessing the structural model, a confirmatory factor analysis must be run to assess the measurement model. A chi-square test and the associated degrees of freedom will be the first measure to assess model fit (Hair et al. 2010). This test takes the observed sample covariance matrix and subtracts the estimated covariance matrix. In addition, three other indices will be used to assess the model fit: RMSEA, CFI, and RMSEA. The three assessors, respectively, represent an absolute fit index, an incremental fit index, and a badness of fit index (Hair et al. 2010).

In order to test the structural models (Figure 12 and 13 respectively), structural equations modeling will be used as the tool to assess both the relative fit of the two models and the correlations between constructs (Hair, Black, Babin, and Anderson 2010). The two models are candidates for such testing as the models are nested models that contain the same number of constructs, and the two models can be formed by altering relationships within the model (Hair, Black, Babin, and Anderson 2010). Here, Figure 13 is nested within Figure 12 as Figure 17 has fewer relationships in comparison to the more

general model. Hair et al. (2010) provide guidance as to how to assess competing models. The comparison is based on a chi-squared difference statistic where the constrained model's (Figure 13) chi-squared value is subtracted from the model with less constraints (Figure 12).

Method Section for Experiment

The experiment examines research question two. Hypothesis 3 states that repurchase intentions, loyalty, and quality perceptions of a subject experiencing low (high) levels of either of the two operant resources, hedonic value and utilitarian value, will be more negatively (positively) affected than these same measures for subjects receiving a low (high) level of satisfaction. Panel subjects from a nationwide sampling firm will encompass the sample frame. Each subject will read a scenario and then complete a questionnaire in complete isolation from other respondents. This research demonstrates qualities of an experiment by using random assignment of subjects to conditions and by manipulating sections of the subject's respective scenario (Kerlinger and Lee, Chapter 23). Eight conditions are necessary to test the hypotheses, and they form a two (low utilitarian value versus high utilitarian value) x two (low hedonic value versus high hedonic value) x two (low satisfaction versus high satisfaction) cell matrix. While eight cells make up the experiment, two experiments will be conducted to ensure generalizability. To attain 30 subjects per cell, a sample size of 480 students is necessary. A copy of the scenarios is included in Appendix B. Likert scales capture respondent feedback. The scales range from one to seven with disagree and agree representing the two endpoints.

The scales are taken from established sources in the literature (Babin, Darden, and Griffin 1994; Cronin, Brady, and Hult 2000; Fornell, Johnson, Anderson, Cha, and Bryant 1996; Brodie, Wittome, and Brush 2009; and Castaneda 2010). The scales are included in the Chapter 2 conceptual development and reprinted in Appendix A.

Data analysis is undertaken using the general linear model (GLM). In this case, summated scales for value received, loyalty, and behavior intentions will be created. The independent variables are the manipulations, and they will be regressed against the dependent variables, the summated scales, in a MANOVA format.

Coefficient alpha provides an estimate of the individual constructs' reliabilities (Kerlinger and Lee 2000). In this case, the coefficient alphas for each measure should far exceed the .7 "minimum" set forth by Nunnally (1978) and restated in Lance, Butts, and Michels (2006).

Content validity of the manipulation occurs prior to the experiment launch. Prior to launching the scenarios, an expert panel of judges will rate each scenario as to whether the situation represents the intended manipulation (satisfaction, hedonic value, utilitarian value). A Kappa index, which is an agreement index, can statistically assess if judges deem the manipulations to work correctly (Kerlinger and Lee 2000). Additional evidence of the manipulations' success will be obtained by asking the respondents to assess what occurred within the respondent's respected scenario. Respondents will answer three questions about the nature of the condition. The manipulation checks will assess whether the manipulations worked as intended, thus showing evidence of discriminant validity (Highhouse 2007). Pretesting will also determine if any unintended consequences occur by asking pretest subjects to gauge several unintended questions, such as the typicality of

the situation and the firm's control of the situation. This can help rule out unintended consequences. Additionally, cognitive interviews will be used to uncover other hidden problems (Churchill and Iacobucci 2005). Pretests of the manipulation will be available by the proposal defense date (May 16, 2011). Through pretests, modifications to the manipulations will allow for a more complete presentation of the manipulations by the proposal date.

To ensure adequate power, Cohen (1992) suggests at least 30 respondents per cell for 16 groups. Each cell will have 30 respondents thus allowing the use of an alpha of .05. Equal cell size is necessary. The power level will allow medium effect sizes to be obtained (Cohen 1992). With the given sample size, the alpha of .05, and medium effects of interest, power will exceed .8 which is adequate for marketing studies.

Missing data issues will follow Roth (1994). If less than five percent of the data is missing, pairwise deletion will be the elimination method of choice. Every attempt will be made to create a survey instrument that is easy to read and understand by using well known, valid scales and through pre-testing the scenarios for understanding leads to avoiding missing data.

The proposed scenario approach is a 2 X 2 X 2 full factorial design with two contexts. Context A is an airline condition representing a low customer participation context while Context B is a retail condition representing a high customer participation context. The scenarios below present the actual wording for the first scenario and then include only the body for each of the following scenarios. Thus, Context A represents an

entire scenario while the following seven scenarios represent the manipulations. Each scenario contains an introduction, the manipulations, and a checklist to sum up the service experience. Appendix B presents the exact wording for each scenario.

CHAPTER 4

RESULTS AND ANALYSIS

Introduction

The analysis and results section seeks answers to the research questions. As Chapter 3 states, data are taken from two experiments; one in an airline context and the other in a retail context. Additional data required to assess the survey section. The survey section entails two overall sets of analysis for an airline context and a retailer context. A number of GLM approaches including ANOVA, path analysis, and SEM assess the impact of key independent variables as each relate to outcome variables. The final set of data analysis includes a confirmatory factor analysis and structural equations modeling to model respondent's experience with a particular service provider to assess the critical research questions.

Presentation of the experimental results is first. The experiment best assesses research question two due to the controlled manipulation of hedonic value, utilitarian value, and expectations. Thus, the experiment section addresses the diagnosticity of the experimental variables, hedonic value, utilitarian value, and satisfaction expectation, as each relates to loyalty.

The next section is a presentation of the results for the single-item section in the form of a path analysis and then regression analysis. The respondent rates each retailer on five key items including utilitarian value, hedonic value, satisfaction, loyalty, and overall

value. As discussed above, this section enhances the experimental results because the survey approaches provides greater external validity relative to the tightly controlled experiment.

Originally this section sought answers solely to research questions one and three as the path analysis using survey item responses capturing overall value, hedonic value, utilitarian value and satisfaction to predict reported loyalty and firm financial performance in the form of earnings per share and return on assets. However, a preliminary data analysis suggests high variance inflation factors among the predictor variables suggesting the presence of multicollinearity.

I addressed the multicollinearity problem by mathematically transforming each variable into orthogonally rotated components using principal components analysis (PCA) (Hair et al. 2010). The related independent variables, overall value, hedonic value, utilitarian value and satisfaction, were subjected to principal component analysis to yield four components. Each variable loads highly on a single component meaning that the four component scores represent the four variables uniquely. The four factors then relate to outcome variables including earnings per share, return on assets, and loyalty to assess the diagnosticity of each. Thus, the single-item survey section addresses all research questions in some way. An airline context and a retail context represent separate analyses across different service contexts.

The final section includes the results presentation for the multi-item survey section where a respondent rates a particular service provider using scales suitable for the assessment of reliability and validity via confirmatory factor analysis and then structural equations modeling. This section addresses research questions one and three by assessing

the relationship between overall value and satisfaction with loyalty and earnings per share and return on assets. Research question three is tested by a competing models test. As in the single-item survey, this analysis is presented separately for the retail service providers and the airline service providers.

Retail Experiment: Manipulations

The experiment addresses research question(s) through the implementation of 2 X 2 X 2 between subjects design. The experimental factors consist of two levels each of satisfaction (fulfillment of expectations), two levels of utilitarian value, and two levels of hedonic shopping value. This section examines the validity of these manipulations. The hedonic value manipulation for the retail experiment prompts subjects with either a high or low hedonic value condition. In the high and low hedonic value conditions are effected by employing the two statements below for high and low hedonic value, respectively:

> High: The store provides an upbeat environment that allows the shopper to briefly escape from real life.
>
> Low: The store's environment is hectic and not a lot of fun and that the experience was just one more thing to do as part of a busy day.

The utilitarian manipulation development also provides respondents with either a high utilitarian shopping value condition or a low utilitarian shopping value condition. The scenario describes the high utilitarian value condition and the low utilitarian condition, respectively, using these two statements:

> High: ... a store where the shopper is able to maneuver easily from place-to-place to find necessary items, finding and purchasing those items, and having an efficient checkout experience.

> Low: … a store that is not well laid out, the shopper has difficulty getting around the store, cannot find items, and experiences a wait during checkout.

The expectations manipulation involves contrasting whether or not expectations were met. In the scenario where satisfaction expectations are met, the passage reads as follows:

> Considering everything about the experience, you would have to say that the retailer's performance met your expectations.

When satisfaction expectations were not met, the wording is as follows:

> Considering everything about the experience, you would have to say that the retailer's performance fell below your expectation.

Subjects randomly see either a high or a low condition for each scenario. After reading the scenario, subjects then see a summary statement. The summary for expectation reads, "Were your expectations met? Yes or No." The utilitarian summary reads, "Was I easily able to find and purchase the items on my list? Yes or No." The hedonic value manipulation reads, "Was the shopping trip rewarding based on being enjoyable or an escape from real life? Yes or No."

Manipulation check items were included at the end of the experimental questionnaire. Subjects replied to one dichotomous choice question for each experimental variable. For instance, the three manipulation check items read as follows:

1. Did the scenario state that your expectations were met? Yes/No
2. Did the scenario state that the store was well laid-out with easy check out or not? Yes/No.

3. Did the scenario state that the atmosphere was upbeat and that the experience was an escape from real life? Yes/No.

Descriptive Statistics: Retail Experiment

The basic descriptive statistics follow. Female subjects comprised 56 percent of the sample, the median age is between 41 and 50 years of age with the largest proportions of subjects being in the 51-60 years of age range (24.5 percent) and the 21-30 years of age range (21.2 percent). The zip code collection shows a diverse geographic range while the job titles are diverse and include retirees, students, business managers, teachers, and homemakers. Thirty respondents viewed the scenario for less than 30 seconds and were deleted from the analysis, which leaves 212 subjects for analysis. Table 14 presents the demographics in a table format.

Table 14. Retail Experiment Gender, Age, and Sample Size

Male	**Female**
94	118
Age	
Under 21	4%
21-30	24%
31-40	12%
41-50	15%
51-60	24%
61-70	16%
Over 70	5%
	N=212

Retail Manipulation Check Results

Manipulation checks for each experimental variable involve cross-classifying subjects' responses to the corresponding manipulation check items with each experimental variable. In each case, the cross classification is associated with a significant chi-square statistic with the pattern of responses in the corresponding direction ($\chi^2_{\text{(expectations 1 df)}}=18.42$ ($p < .001$); $\chi^2_{\text{(Hedonic Value 1 df)}}=94.85$ ($p < .001$); $\chi^2_{\text{(Utilitarian Value 1 df)}}=114.06$ ($p < .001$). Analysis of the expectations manipulation reveals that 68 of the 101 subjects in the low expectations condition indicate their expectations were not met. Conversely, 69 of the 111 subjects in the met expectations condition indicate that their expectations were met. The utilitarian manipulation indicates that 93 of the 108 subjects in the low utilitarian value condition report the store providing low utilitarian value. Conversely, 91 of the 104 subjects in the high utilitarian condition report receiving high utilitarian value. The hedonic manipulation check shows 95 of the 114 subjects in the low hedonic value condition report low hedonic value. Conversely, 82 of the 98 subjects in the high hedonic value condition report high hedonic value. Tables 15-17 illustrate the tables from which the χ^2 values are derived:

Table 15. Retail Expectations Manipulation Check

		Expectations Check		
		High	Low	Total
Expectations	Low	33	68	101
	High	69	42	111
	Total	102	110	212

Table 16. Retail UV Manipulation Check

		UV Check		
		High	Low	Total
Utilitarian Value	Low	15	93	108
	High	91	13	104
	Total	106	106	212

Table 17. Retail HV Manipulation Check

		HV Check		
		High	Low	Total
Hedonic Value	Low	19	95	114
	High	82	16	98
	Total	101	111	212

Cross-classification with noncorresponding variables showed the following significant results (χ^2 (expectation manipulation by utilitarian value manipulation check 1 df) $=4.2$ ($p < .027$); χ^2 (utilitarian value manipulation by expectation manipulation check)$=54.9$($p < .001$). Tables 18-19 illustrate the cross-tabs tables for the significant noncorresponding variables. This analysis assesses whether any unintended effects arose from the manipulations. For example, manipulating hedonic value should only affect the manipulation check for hedonic value, not expectations or utilitarian value. In other words, this analysis assesses if confounds arose and the strength of the confounds.

Table 18. Retail Expectations by UV Check

		UV Check		
		High	Low	Total
Expectations	Low	43	58	101
	High	63	48	111
	Total	106	106	212

Table 19. Retail UV by Expectations Check

		Expectations Check		
		High	Low	Total
Utilitarian Value	Low	25	83	108
	High	77	27	104
	Total	102	110	212

Thus, based on the manipulation checks, strong evidence exists for the validity of the utilitarian value manipulations and the hedonic value manipulations. The expectations manipulation appears to present some evidence of confound, particularly with the utilitarian dimension and expectations. However, the intended effect in the corresponding condition where expectations are crossed with the expectation manipulation check does provide evidence that the intended effect properly came across to the subjects – as indicated by the significant cross-tabulation result and the percent of subjects correctly classified by the manipulation check. Therefore, the manipulation checks appear to have worked well enough to proceed with further analyses.

Retail Measurement Results (Multi-item Survey Approach)

Subjects provide feedback to six multi-item scales. Hedonic value consists of an eleven-item scale taken from previous research as discussed in the previous chapter. One of the hedonic value items, "This shopping trip was not a very nice time out," was a reverse polarity item that was recoded for analysis purposes, in particular to facilitate the computation of coefficient alpha. The coefficient alpha (α) for the hedonic value scale is .97 (N=212). Item-summary statistics show a grand mean equal to 3.60 out of a seven point scale, with a minimum single-item mean of 3.47 and a maximum-single item mean

of 4.05 for a summed average scale. Scale statistics show a summed mean equal to 40.30 with a standard deviation equal to 17.70. Principal component analysis is used to assess dimensionality. As expected, Bartlett's test of sphericity is significant (χ^2=2582 $_{(1,\ 55\ df)(p<.001)}$). Evidence of unidimensionality appears through principal component analysis. Table 20 below represents the communalities and extraction for each hedonic value item. The results indicate a single-factor solution comprises 75.80 percent of variance explained. Thus, based on the coefficient alpha and the unidimensionality, the hedonic value scale is acceptable to continue analysis and will be summed for further analysis and hypothesis testing.

Table 20. Retail HV PCA

Item name and Stem	**Component Loading**
HV3: Shopping here truly feels like an escape	0.93
HV4: Compared to other things I could have done, the time spent shopping was truly enjoyable	0.92
HV10: While shopping, I felt a sense of adventure	0.92
HV1: Shopping here is truly a joy	0.91
HV6: I enjoyed this shopping trip for its own sake, not just for the items I may have purchased	0.91
HV8: During the trip, I felt the excitement of the hunt	0.87
HV9: While shopping, I was able to forget my problems	0.87
HV7: I had a good time because I was able to act on the "spur of the moment	0.86

Table 20 (Continued)

HV5: I enjoyed being immersed in exciting new products	0.84
HV2: I would continue shopping not because I would have to, but because I would want to	0.84
HV11: This shopping trip was not a very nice time out	0.67

Utilitarian value consists of a four-item scale also consistent with previous research. Two of the items were reverse polarity worded and subsequently reverse coded. The reverse polarity items were "I couldn't buy what I really needed" and "I was disappointed because I had to go to another store (s) to complete my shopping." The coefficient alpha or the utilitarian value scale is .921 (N=212). Item-summary statistics show a grand mean equal to 4.14 out of a seven-point scale with a minimum single-item mean of 4.0 and a maximum of 4.20 for a summed average scale. Scale statistics show a summed mean equal to 16.5 with a standard deviation equal to 7.20. Principal component analysis is used to assess dimensionality. As expected, Bartlett's test of sphericity is significant (χ^2=660 ($p<.001$) $_{(1,\ 6\ df)}$). Evidence of unidimensionality is achieved through factor analysis. The results indicate a single-factor solution comprises 80.8 percent of variance explained. The principal component analysis results are as follows in Table 21. Thus, based on the coefficient alpha and the unidimensionality, the utilitarian value scale is summed for further analysis of the hypotheses. The unidimensionality and the high coefficient alpha provides evidence of the theoretical soundness of the scale and for reliability.

Table 21. Retail UV PCA

Item Name and Stem	Component Loading
UV1: I accomplished just what I wanted to on this shopping trip	0.92
UV3: While shopping, I found just the item (s) I was looking for	0.89
UV2: I couldn't buy what I really needed	0.89
UV4: I was disappointed because I had to go to another store (s) to complete my shopping	0.89

Satisfaction consisted of a three-item scale also consistent with previous research. The coefficient alpha (α) for satisfaction was .948 (N=212). Item-summary statistics show a grand mean equal to 48.2 out of a 100-item slider scale with a minimum single-item mean of 45.3 and a maximum of 51.6 for a summed average scale. Scale statistics show a summed mean equal to 144.5 with a standard deviation of 88.2. Principal component analysis is used to assess dimensionality. As expected, Bartlett's test of sphericity is significant (χ^2= 618, (1, 3 df) ($p<.001$)). Evidence of unidimensionality is achieved through principal component analysis. The results indicate a single-factor solution comprises 90.6 percent of variance explained. Table 22 illustrates the factor-analysis results. Thus, based on the coefficient alpha and the unidimensionality, the utilitarian value scale is summed for further analysis and hypotheses testing. The unidimensionality and the high coefficient alpha provide evidence toward the validity and reliability of the scale.

Table 22. Retail Satisfaction PCA

Item Name and Stem	Component Loading
SAT2: This retailer's performance exceeds my expectations	0.96
SAT3: This retailer's performance is better than other retailer's performance	0.95
SAT1: I am satisfied with my decision to shop at this retail store	0.94

The perceived quality scale consists of a three-item semantic differential scale consistent with previous research. Coefficient alpha (α) for quality was .97 (N=212). Item-summary statistics show a grand mean equal to 5.08 out of a 9 item semantic differential scale with a minimum single-item mean of 5.02 and a maximum of 5.18 on a summed average scale. Scale statistics show a summed mean equal to 15.25 with a standard deviation of 6.90. Principal component analysis is used to assess dimensionality. As expected, Bartlett's test of sphericity is significant (χ^2=830.5 ($p<.001$) (1, 3 df)). Principal component analysis provides some evidence of unidimensionality based on the size of the first Eigen value. Table 23 presents the principal component results. The results indicate a single-factor solution comprises 94.60 percent of variance explained. Thus, based on the coefficient alpha and the unidimensionality, the utilitarian value scale is summed for further analysis and hypothesis testing.

Table 23. Retail Quality PCA

Item Name and Stem	Component Loading
QUAL2: Inferior to Superior	0.97
QUAL1: Poor to Excellent	0.97
QUAL3: Low Standards to High Standards	0.97

Loyalty consists of three items taken (adapted) from previous research. Coefficient alpha for quality was .958 (N=212). Item-summary statistics show a grand mean equal to 4.20 out of a 7 item Likert scale with a minimum single-item mean of 3.90 and a maximum of 4.52 for a summed average scale. Scale statistics show a summed mean equal to 12.65 with a standard deviation of 5.48. Principal component analysis is used to assess dimensionality. As expected, Bartlett's test of sphericity is significant (χ^2=694 (p<.001) (1, 3 df)). Evidence of unidimensionality is achieved through principal component analysis. The results indicate a single-factor solution comprises 92.36 percent of variance explained. Table 24 illustrates the principal component analysis results. Thus, based on the coefficient alpha and the unidimensionality, the loyalty scale is summed for further analysis and hypothesis testing.

Table 24. Retail Loyalty PCA

Item Names and Stem	Component Loading
Loyalty2: I am likely to recommend this store to a friend	0.97
Loyalty3: If I had to do it over again, I would make the same choice	0.96
Loyalty1: There is a high probability that I will use this retailer store again	0.96

Involvement consists of four items taken from scales used in previous research. Coefficient alpha for quality is .86 (N=212). Involvement is measured using a seven point semantic differential scale. One item, Enjoyable: Painful, was reverse coded for the analysis. Item-summary statistics show a grand mean equal to 4.85 out of a 7 item Likert scale with a minimum single-item mean of 4.50 and a maximum of 5.20 for a summed average scale. Scale statistics show a summed mean equal to 19.6 with a standard deviation of 4.90. Factor analysis is used to assess dimensionality. As expected, Bartlett's test of sphericity is significant (χ^2=444 ($p<.001$) (1, 3 df)). Evidence of unidimensionality is provided by principal component analysis. The results indicate a single-factor solution comprises 70.40 percent of variance explained. Table 25 illustrates the retail involvement, and Table 26 illustrates the principal component analysis results. Thus, based on the coefficient alpha and the unidimensionality, the utilitarian value scale is summed for further analysis and hypothesis testing.

Table 25. Retail Involvement PCA

Item name and Stem	**Component Loading**
Involvement 3: Dull to Exciting	0.90
Involvement 4: Boring to Engaging	0.90
Involvement 1: Enjoyable to Painful	0.84
Involvement 2: Unimportant to Painful	0.70

Confirmatory Factor Analysis: Retail Experiment Results

Confirmatory factor analysis assesses the construct validity of the multi-item measures and thus examines the psychometric properties of the scales involved in the

analysis. An initial confirmatory factor analysis shows a chi-squared value of 662.22 (df=335, p<.001), a comparative fit index (CFI) of .95, and a root-mean-squared residual (RMSR) of .064. Further, the normed fit index (NFI=.912) indicates an acceptable fit for a model of this complexity. Thus, the measurement model fits the data reasonably well.

The t-value for each loading estimate is significant (p<.001). Table 26 presents the results. One indication of construct validity is whether or not the standardized estimates exceed a minimum threshold of .5 (Hair et al. 2010). All standard loadings do exceed the .5 threshold. A second measure of the construct validity is whether or not the variance extracted exceeds .5. All six of the constructs' variance extracted estimates exceed .5. In addition, the construct reliability estimates all exceed the .7 threshold.

Discriminant validity exists when a construct shares more variance with itself (its own items) than it does in other constructs. Hedonic value's average variance extracted (AVE) is .736 while the highest interconstruct correlation (ϕ^2) matrix is .66 (satisfaction). Utilitarian value's AVE is .742 and the highest value in ϕ^2 matrix is .48 (loyalty). Involvement appears to show no problems with discriminant validity. Satisfaction, on the other hand, has an AVE of .857 while the ϕ^2 matrix shows shared variance of .87 with loyalty and .92 with quality. Thus, hedonic value, utilitarian value, involvement, and quality appear to possess reliable and valid psychometric properties.

I examined discriminant validity further using a test outlined by Anderson and Gerbing (1988). The path between satisfaction and quality was constrained to 1 to further assess discriminant validity. With the change in one degree of freedom (from 335 to 336), the chi-squared value went from 662.2 (df=335) to 1046 (df=336). This difference is statistically significant (p<.001). Thus, the two constructs appear to be sufficiently

different, thus providing evidence of discriminant validity. Table 26 presents the CFA findings as well as the Φ and Φ-squared matrices respectively. The table below can be read assuming HV is hedonic value, UV is utilitarian value, INV is involvement, SAT is satisfaction , LOYAL is loyalty, and QUAL is quality.

Table 26. Retail CFA and Correlation Matrices

	HV	UV	INV	SAT	LOYAL	QUAL
HV1	0.64					
HV2	0.91					
HV3	0.85					
HV4	0.87					
HV5	0.84					
HV6	0.90					
HV7	0.83					
HV8	0.92					
HV9	0.92					
HV10	0.82					
HV11	0.92					
UV1		0.92				
UV2		0.83				
UV3		0.89				
UV4		0.81				
INVO1			0.73			
INVO2			0.55			
INVO3			0.91			
INVO4			0.91			
SAT1				0.94		
SAT2				0.93		
SAT3				0.91		
LOY1					0.92	
LOY2					0.96	
LOY3					0.94	
QUAL1						0.966
QUAL2						0.963
QUAL3						0.944
Variance Extracted	73.64%	74.23%	62.10%	85.76%	88.38%	91.72%
Construct Reliability	0.97	0.92	0.86	0.95	0.96	0.970792

Table 26 (Continued)

Φ matrix						
HV	1.00					
UV	0.38	1.00				
INV	0.29	0.12	1.00			
SAT	0.81	0.68	0.19	1.00		
LOY	0.78	0.69	0.18	0.93	1.00	
QUAL	0.79	0.65	0.22	0.96	0.92	1.00

Φ matrix SQUARED						
HV	1.00					
UV	0.15	1.00				
INV	0.09	0.01	1.00			
SAT	0.66	0.46	0.03	1.00		
LOY	0.60	0.48	0.03	0.87	1.00	
QUAL	0.62	0.43	0.05	0.92	0.85	1.00

Experimental Results

This section seeks to answer research questions pertaining to hedonic value, utilitarian value, and expectations and the relative effect of each on loyalty. Thus, this section seeks to address research question two. A multivariate analysis of variance (MANOVA) was conducted with quality and loyalty as dependent variables and the experimental variables included in a full factorial design. The summed involvement scale, scenario believability, gender, age, and a locus of control question were included as covariates. The Wilks' Lambda shows all three main effects are significant ($p < .05$). Specifically, the Wilks' Lambda for expectations produces a multivariate F value of 24.6 ($df=2, 212, p < .001$), 57.9 for utilitarian value, ($df=2, 212, p < .001$), and 38.1 for hedonic value ($df=2, 212, p < .001$). A 2-way interaction between expectations and utilitarian value is likewise significant with an F value of 3.42 ($df=2, 212, p = .034$). Of the covariates, only involvement is significant at the .1 level with an F value of 2.65

(df=2, 212, p = .073). The analysis includes the covariates as seen in Table 27. This analysis provides support necessary to move on to interpreting the univariate results. Table 27 displays the univariate GLM results for quality and loyalty.

Table 27. Univariate Results for Quality and Loyalty

	Quality			Loyalty		
	df	F	Sig.	df	F	Sig.
Covariates						
Age	1	0.113	0.73	1	0.123	0.727
Gender	1	0.16	0.69	1	0.189	0.664
Locus	1	1.6	0.212	1	3.7	0.056
Involvement	1	5.27	0.023	1	2.6	0.111
Main Effects						
Utilitarian Value	1	106.8	0.001	1	98	0.001
Hedonic Value	1	74	0.001	1	58	0.001
Expectations	1	48.3	0.001	1	34.8	0.001
Two-way Interactions						
UV X HV	1	0.016	0.9	1	0.059	0.8
Expectations X UV	1	5.8	0.017	1	1.4	0.24
Expectations X HV	1	2.3	0.127	1	0.133	0.71
Three-way Interaction						
UV X HV X Expectations	1	1.7	0.28	1	0.016	0.899

The individual model for quality yields a univariate F (df=11, 212, R^2=.568) of 23.9 (p < .001). Likewise, the univariate model for loyalty yields an F (df = 11, 212, R^2=.511) of 19.2 (p < .001).

The research question posits that the collective effects for providing value will be greater than the collective effects of meeting satisfaction expectations(Oliver 1984). The expectations treatment is examined first. The between subjects test with loyalty as the dependent variable and expectations as the independent variable shows expectations to be

significant at an F = 34.8 (df=1, 212, partial eta=.149, p < .001). Subjects in the condition where the store failed to meet the customer's expectations report a mean loyalty score of 11.1 as opposed to 14.4 in the condition where the store met the customer's expectations. Further, the model predicting quality based on meeting a customer's expectations is also significant at an F value of 48.3 (df=1, 212, partial eta=.195). Subjects in the expectations met condition report a mean of 17.6 as opposed to 13.1 in the failed expectation condition. Taken collectively, expectations do have an effect on quality and loyalty. Table 3 displays the means for each main effect.

Next, the utilitarian value treatment effects are examined. The between subjects test with loyalty as the dependent variable and utilitarian value as the independent variable shows utilitarian value to be significant with an F = 98 (df=1, 212, partial eta=.33, p < .001). Subjects in the low utilitarian value condition report a mean loyalty score of 10.0 as opposed to 15.5 in the condition where the store provides the customer with high utilitarian value. Further, the model predicting quality based on utilitarian value is also significant with an F value of 107 (df=1, 212, partial eta=.35). Subjects in the high utilitarian value condition report a mean of 18.7 as opposed to 12 in the low utilitarian value condition. Taken collectively, utilitarian value has a greater effect on quality and loyalty than does meeting expectations. Table 28 below presents the F value and partial etas for each manipulation as each relate to quality and loyalty. Thus, the partial etas and the F values are the basis for the above claim. The F value for utilitarian value, along with the partial eta exceeds that of expectations.

The third component in the examination is hedonic value. The between subjects test with loyalty as the dependent variable and hedonic value as the independent variable

shows hedonic value to be significant at an F = 58.1 (df=1, 212, partial eta=.225, p < .001). Subjects in the condition where the store provides the customer with low hedonic value report a mean loyalty score of 10.7 as opposed to 14.9 in the condition where the store provides the customer with high hedonic value. Further, the model predicting quality based on hedonic value is also significant at an F value of 74.1 (df=1, 212, partial eta=.27). Subjects in the high hedonic value condition report a mean of 18.1 as opposed to 12.5 in the low hedonic value condition. Taken collectively, hedonic value, similar to utilitarian value, has a greater effect on quality and loyalty than does expectations. This conclusion is reached by examining the mean differences previously discussed and by examining the partial eta for each manipulation. Therefore, to address the research question regarding the effect of the manipulation on quality and loyalty as perceived by subjects, utilitarian value and hedonic value show a powerful effect on both key outcome constructs. A review of the partial eta for expectations, hedonic value, and utilitarian value show utilitarian value has the strongest effect, followed by hedonic value, then expectations. Table 28 lists the partial eta for each manipulation. Utilitarian value shows the highest partial eta, followed by hedonic value, and then expectations. This shows that allowing customers to have a shopping experience characterized as efficient leads to a perception of quality and the intention to be loyal. Table 28 presents the F values in parentheses followed by the partial etas.

Table 28. Retail Experiment F values and Partial Eta

Partial Eta	Quality	Loyalty
Expectations	(48.3) 0.20	(34.8) 0.15
Hedonic Value	(74.1) 0.27	(58.13) 0.25
Utilitarian Value	(107) 0.35	(98) 0.33

The utilitarian value and expectations main effects are qualified by a significant two-way interaction. The two-way interaction is between utilitarian value and expectations on quality with an F value of 5.8 (df=1, 212, p=.017, partial eta=.028). The two-way ordinal interaction means appear in Table 30 and are depicted graphically in Figure 14. Table 29 presents the main effect means. The results suggest that retailers who offer customers an experience that is above the customer's expectations and offers high utilitarian value will allow the providing firm to be seen as higher quality than a firm who merely exceeds expectations to offer satisfaction. In a sense, retailers who offer utilitarian value can maximize the customer's perception of quality.

Table 29. Retail Scenario Means (Main Effects)

	Sample Size	Quality	Loyalty
Met Expectations	111	17.6 (.44)	14.4 (.38)
Failed Expectations	101	13.1 (.47)	11.1 (.39)
High UV	104	18.7 (.46)	15.4 (.39)
Low UV	108	12.0 (.45)	10.0 (.38)
High HV	98	18.1(.47)	14.9 (.40)
Low HV	114	12.5 (.43)	10.7 (.37)

Table 30. Retail Interaction Means and Standard Error

	Quality	
	Failed Expectations	Met Expectations
Low UV	10.5 (.63)	13.5 (.64)
High UV	15.7 (.69)	21.7 (.62)

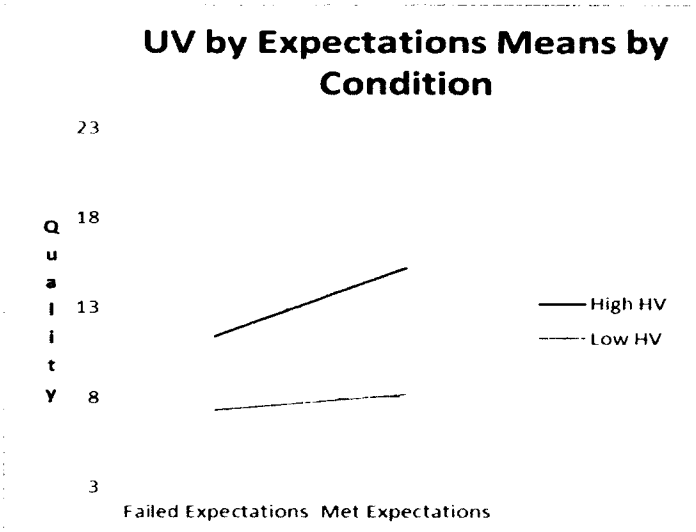

Figure 14. Expectations by UV Interaction

Airline Experiment Manipulation Checks: Introduction

A second experiment examines research question two a second time by changing the context to an airline context rather than a retail context. This allows a rigorous examination of the research question in a broad-based service provider context. Further, the replication of an experiment, which is characterized as a high internal validity research design, allows for a more complete interpretation from the multiple-contextual design.

Airline Manipulation Check

The manipulations for the experiment result from the definitions of the constructs of interest. The three constructs of interest include hedonic value, utilitarian value, and expectation congruency. The hedonic value manipulation for the airline experiment prompts subjects with either a high or low hedonic value condition. The following three

manipulations were presented to the subjects. The first is the hedonic value manipulation, followed by the utilitarian value manipulation, and finally the expectation manipulation.

- The waiting area was pleasant with some entertaining video presentations. On board, the flight attendants were very courteous and cracked corny jokes. The plane was clean and comfortable and included an individual entertainment system.
- The waiting area was too crowded and the video displays did not work. On board, the flight attendants were less than courteous and cracked corny jokes. The plane smelled bad, the seats were uncomfortable and there was no individual entertainment system.
- The airplane was at the gate when you arrived to the terminal. The boarding went smoothly and the flight left on time. As a result, you arrived a little early and easily arrived in time to meet your first obligation.
- The airplane was not at the gate when you arrived in the waiting area. The boarding took too long and the flight left late. As a result, you arrived late and despite rushing through traffic, you missed your first obligation.
- Considering everything about the experience, you would have to say that the airline's performance met your expectations.
- Considering everything about the experience, you would have to say that the airline's performance fell below your expectation.

For each manipulation, subjects read either a high or a low scenario for each of the manipulations, and subjects are then presented with a summary statement at the end of the scenario. The summary sheet for expectation reads, "Were your expectations met?

Yes." The utilitarian summary reads, "Was I easily able to accomplish the traveling task? Yes." The hedonic value manipulation reads, "Was the flight rewarding based on being enjoyable or an escape from real life? Yes."

Manipulation check items were included at the end of the experimental questionnaire. Subjects replied to one dichotomous choice question for each experimental variable. The three manipulation check questions read as follows:

1. Did the scenario state that your expectations were met? Yes/No
2. Did the scenario state that the boarding went smoothly and the plane left on time or not? Yes/No.
3. Did the scenario state that the flight attendants were courteous and an entertainment system was provided or not? Yes/No.

Descriptive Statistics: Airline Experiment

The basic descriptive statistics are next. Females comprised 52 percent of the subjects, the median age is between 41 and 50 years of age with the largest proportions of subjects being in the 21-30 years of age range (20 percent) and 51-60 years of age range (21 percent). The zip code collection shows a diverse geographic range while the job titles are diverse and include retirees, students, business managers, teachers, and homemakers. Thirty-two subjects viewed the scenario for less than 30 seconds and were deleted from the analysis, which leaves 239 subjects for analysis. Table 31 presents the demographics in table format.

Table 31. Airline Experiment Gender, Age, and Sample Size

Male	Female
114	125
Age	
Under 21	3%
21-30	20%
31-40	15%
41-50	19%
51-60	21%
61-70	17%
Over 70	6%
	N=239

Airline Manipulation Check Results

Manipulation check responses were cross-classified against the experimental variables with each corresponding chi-square being significant and the pattern of responses in the corresponding direction (χ^2 (expectations 1 df)=25.5 ($p < .001$); χ^2 (Hedonic Value 1 df)=143.2 ($p < .001$); χ^2 (Utilitarian Value 1 df)=113.06 ($p < .001$). In the low expectations condition, 88 of the 128 subjects report low expectations. On the other hand, 71 of the 111 subjects in the high expectations condition report high expectations. In the utilitarian condition, 104 of the 130 subjects in the low utilitarian condition report low utilitarian value. Conversely, 97 of the 109 subjects in the high utilitarian value condition report high utilitarian value. The hedonic value manipulation yields 110 of 125 subjects in the low hedonic value condition report low hedonic value. Conversely, 102 of the 114 subjects in the high hedonic value condition report high hedonic value. Tables 32-34 illustrate the tables from which the χ^2 values are derived:

Table 32. Airline Expectations Check

		Expectations Check		
		High	Low	Total
Expectations	Low	40	88	128
	High	71	40	111
	Total	111	128	239

Table 33. Airline UV Check

		Utilitarian Value Check		
		High	Low	Total
Utilitarian Value	Low	26	104	130
	High	97	12	109
	Total	123	116	239

Table 34. Airline HV Check

		Hedonic Value Check		
		High	Low	Total
Hedonic Value	Low	15	110	125
	High	102	12	114
	Total	117	122	239

Cross-classification with noncorresponding variables showed the following significant results (χ^2 (utilitarian value by expectation manipulation check 1 df) $=33.59$ ($p < .001$); χ^2 (Hedonic value manipulation by expectation manipulation check)$=19.60$ ($p < .001$); (χ^2 (Hedonic value manipulation by utilitarian value manipulation check)$=3.6$ ($p = .04$). Tables 35-37 illustrate the cross-tabs tables for the significant noncorresponding variables.

Table 35. UV by Expectations Check

		Expectations Check		
		High	Low	Total
Utilitarian Value	Low	38	92	130
	High	73	36	109
	Total	111	128	239

Table 36. HV by Expectations Check

		Expectations Check		
		High	Low	Total
Hedonic Value	Low	41	84	125
	High	70	44	114
	Total	111	128	239

Table 37. HV by UV Check

		Utilitarian Value Check		
		High	Low	Total
Hedonic Value	Low	57	68	125
	High	66	48	114
	Total	123	116	239

Thus, based on the manipulation checks, strong evidence exists for the validity of the utilitarian value manipulations and the hedonic value manipulations. The expectations manipulation appears to present some evidence of confound, particularly with the utilitarian dimension and expectations. However, the intended effect in the corresponding condition where expectations are crossed with the expectation manipulation check does provide evidence that the intended effect properly came across to the subjects. Also, I took the conservative approach and retained the mismatching respondents (those who missed the manipulation check question) rather than discarding those responses. Generally, the manipulations were strong enough to allay concerns that the mismatches

may interfere with results. In conclusion, the manipulation checks appear to have worked as intended and analysis will continue.

Multiple-items Scale Assessment for Airline Experiment

Subjects provide feedback to six multi-item scales. Hedonic value consisted of an eight-item scale consistent with previous research. One of the hedonic value items, "This travel experience with this airline was not a nice experience," was a reversed-polarity item and is re-coded for analysis purposes. The coefficient alpha for the hedonic value scale was .95 (N=239). Item-summary statistics show a grand mean equal = 3.20 out of a seven point scale, with a minimum single-item mean of 3.04 and a maximum-single item mean of 3.49 for a summed average scale. Scale statistics show a summed mean equal to 25.60 with a standard deviation equal to 12.22. Principal component analysis is used to assess dimensionality. As expected, Bartlett's test of Sphericity is significant (χ^2=1768 ($p<.001$) (1, 28 df)). Evidence of unidimensionality appears through factor analysis. Table 38 below represents the communalities and extraction for each hedonic value item. The results indicate a single-factor solution comprises 73.33 percent of variance explained. Thus, based on the coefficient alpha and the unidimensionality, the hedonic value scale is acceptable to continue analysis and will be summed for further analysis and hypothesis testing.

Table 38. Airline HV PCA

Item Name and Stem	Component Loading
HV2: Traveling with this airline truly feels like an escape	0.92
HV1: Traveling with the airline is truly a joy	0.91
HV5: During my interaction with the airline, I felt a sense of excitement	0.90
HV4: I enjoyed this travel experience for its own sake, not just for getting from point to point	0.88
HV3: Compared to other things I could have done, the time spent on the airline was truly enjoyable	0.88
HV6: During my time with the airline, I was able to forget my problems	0.85
HV7: During my time with the airline, I felt a sense of adventure	0.82
HV8: The travel experience with this airline was not a nice experience	0.67

Utilitarian value consisted of a three-item scale also consistent with previous research. One of the items was reverse-polarity worded and subsequently reverse coded. The reverse polarity items were, "I had a difficult time traveling with this airline." The coefficient alpha for the utilitarian value scale was .86 (N=239). Item-summary statistics show a grand mean equal to 4.01 out of a seven-point scale with a minimum single-item mean of 3.8 and a maximum of 4.25 for a summed average scale. Scale statistics show a summed mean equal to 12.0 with a standard deviation equal to 5.43. Principal component analysis is used to assess dimensionality. As expected, Bartlett's test of Sphericity is significant (χ^2=315 ($p<.001$)(1, 3 df)). Evidence of unidimensionality is achieved through principal component analysis. The results indicate a single-factor solution comprises 77.9 percent of variance explained. The principal component results are as follows in Table 39. Thus, based on the coefficient alpha and the unidimensionality, the utilitarian value

scale is summed for further analysis of the hypotheses. The unidimensionality and the high coefficient alpha provide evidence of the theoretical soundness of the scale and for reliability.

Table 39. Airline UV PCA

Item Name and Stem	Component Loading
UV1: I accomplished just what I wanted to on this travel experience	0.91
UV2: With this airline, I was able to easily complete the travel task	0.91
UV3: I had a difficult time traveling with this airline	0.82

Satisfaction consisted of a three-item scale also consistent with previous research. The coefficient alpha for satisfaction was .97 (N=239). Item-summary statistics show a grand mean satisfaction score equal to 43.7 on the 100-point single item slider scale with a minimum single-item mean of 41.4 and a maximum of 46.53 for a summed average scale. Scale statistics show a summed mean equal to 131.2 using the two-item expectation scale with a standard deviation of 95.22. Principal component analysis is used to assess dimensionality. As expected, Bartlett's test of spherocity is significant (χ^2=788.5 (p<.001)((1, 3 df)). Evidence of unidimensionality is achieved through principal component analysis. The results indicate a single-factor solution comprises 93.87 percent of variance explained. Table 40 below illustrates the principal component analysis results. Thus, based on the coefficient alpha and the unidimensionality, the utilitarian value scale is summed for further analysis and hypotheses testing. The unidimensionality and the high coefficient alpha provides evidence toward the validity and reliability of the scale.

Table 40. Airline Satisfaction PCA

Item Name and Stem	Component Loading
SAT1: I am satisfied with my decision to travel with this airline	0.97
SAT2: This airline's performance exceeds my expectations	0.97
SAT3: This airline's performance exceeds that of other similar airlines	0.97

Quality consisted of a three-item semantic differential scale consistent with previous research. Coefficient alpha for quality was .98 (N=239). Item-summary statistics show a grand mean equal to 4.53 out of a 9 item semantic differential scale with a minimum single-item mean of 4.46 and a maximum of 4.64 on a summed average scale. Scale statistics show a summed mean equal to 13.63 with a standard deviation of 7.47. Principal component analysis is used to assess dimensionality. As expected, Bartlett's test of sphericity is significant (χ^2=1056.3 ($p<.001$) (1, 3 df)). Evidence of unidimensionality is achieved through principal component analysis. Table 41 presents the principal component analysis results. The results indicate a single-factor solution comprises 96.6 percent of variance explained. Thus, based on the coefficient alpha and the unidimensionality, the utilitarian value scale is summed for further analysis and hypothesis testing.

Table 41. Airline Quality PCA

Item Name and Stem	Component Loading
QUAL2: Inferior to Superior	0.99
QUAL1: Poor to Excellent	0.99
QUAL3: Low Standards to High Standards	0.98

Loyalty consisted of three items consistent with previous research. Coefficient alpha for quality is .98 (N=239). Item-summary statistics show a grand mean equal to 3.52 out of a 7 item Likert scale with a minimum single-item mean of 3.4 and a maximum of 3.77 for a summed average scale. Scale statistics show a summed mean equal to 10.60 with a standard deviation of 6.0. Principal component analysis is used to assess dimensionality. As expected, Bartlett's test of sphericity is significant (χ^2=896 ($p<.001$)(1, 3 df)). Evidence of the unidimensionality is achieved through principal component analysis. The results indicate a single-factor solution comprises 95.33 percent of variance explained. Table 42 illustrates the principal component analysis results. Thus, based on the coefficient alpha and the unidimensionality, the loyalty scale is summed for further analysis and hypothesis testing.

Table 42. Airline Loyalty PCA

Item Name and Stem	**Component Loading**
LOYALTY2: I am likely to recommend this airline to a friend	0.98
LOYALTY3: If I had to do it over again, I would make the same choice	0.97
LOYALTY1: There is a high probability that I will use this airline again	0.97

Involvement consisted of four items consistent with previous research. Coefficient alpha for quality is .85 (N=239). Involvement was measured using a seven point semantic differential scale. One item, Enjoyable: Painful, was reverse coded for the analysis. Item-summary statistics show a grand mean equal to 4.62 out of a 7-item Likert scale with a minimum single-item mean of 4.41 and a maximum of 4.88 for a summed average scale.

Scale statistics show a summed mean equal to 18.55 with a standard deviation of 5.63. Principal component analysis is used to assess dimensionality. As expected, Bartlett's test of sphericity is significant (χ^2=504 (p<.001) (1, 3 df)). Evidence of unidimensionality is achieved through principal component analysis. The results indicate a single-factor solution comprises 70 percent of variance explained. Exhibit 26 illustrates the principal component analysis. Thus, based on the coefficient alpha and the unidimensionality, the utilitarian value scale is summed for further analysis and hypothesis testing. Table 43 presents the results.

Table 43. Airline Involvement PCA

Item Name and Stem	Component Loading
INVOLV3: Dull to Exciting	0.92
INVOLV4: Boring to Engaging	0.91
INVOLV1: Enjoyable to Painful	0.84
INVOLV2: Unimportant to Important	0.63

Airline Experiment CFA Confirmatory Factor Analysis

Confirmatory factor analysis is conducted to examine the psychometric properties and validate the proposed measurement theory involved in the analysis. The congeneric measurement model constraints produced a confirmatory factor analysis model with a chi-squared value of 506.9 (df=237, p<.01), a comparative fit index (CFI) of .960, and a root-mean-squared residual (RMSR) of .068. Further, the normed fit index (NFI=.927) indicates an acceptable fit for a model of this complexity. The t-value for each loading estimate is significant (p<.001). One indication of construct validity is whether or not the standardized estimates exceed a minimum threshold of .5 (Hair et al. 2010). All standard

loadings do exceed the .5 threshold with the exception of one item used in the involvement scale. Upon deletion, the chi-squared value is 463 (df=215, $p<.01$), which is a significant improvement in fit ($p<.01$). The corresponding CFI is .962, and a root-mean-squared residual (RMSR) is .069. Further, the normed fit index is .933. The t-value for each loading estimate is significant ($p<.001$). All standardized loadings now exceed the .5 threshold. A second measure of the construct validity is whether or not the variance extracted exceeds .5. All six of the constructs variance extracted estimates exceed .5. In addition, the construct reliability estimates all exceed the .7 threshold.

Discriminant validity is assessed by examining whether the construct explains more variance with its own indicators than it does other constructs. Hedonic value's average variance extracted (AVE) is .70, which is lower than three of the relevant Φ-squared coefficients: hv–satisfaction, hv–loyalty, and hv–quality (.76, .73, and .82, respectively). Utilitarian value's AVE is .68 and the highest value in the Φ squared matrix is .82 (satisfaction). Involvement appears to show no problems with discriminant validity. Satisfaction's AVE is .91 as is the Φ -squared value between satisfaction and quality. Quality's AVE is .94 and the highest Φ -squared value is .83 between quality and loyalty. Thus, hedonic value, utilitarian value, and satisfaction require further testing to assure discriminant validity. When the path between hedonic value and quality is constrained to one, the chi-squared value is 627.94 (df=216), thus showing a significantly worse fit ($p<.01$). When the path between hedonic value and satisfaction is constrained to one, the chi-squared value is 714 (df=216), thus showing a significantly worse fit ($p<.01$). When the path between hedonic value and loyalty is constrained to one, the chi-squared value is 546 (df=216), thus showing a significantly worse fit ($p<.01$). When the path

between utilitarian value and satisfaction is constrained to one, the chi-squared value is 701 (df=216), thus showing a significantly worse fit ($p<.01$). When the path between satisfaction and quality is constrained to one, the chi-squared value is 887 (df=216), thus showing a significantly worse fit ($p<.01$). Thus, each constructs appear to be sufficiently different providing evidence of discriminant validity.

Table 44 presents the CFA findings and the Φ matrix and Φ^2 matrix respectively. HV is hedonic value, UV is utilitarian value, INV is involvement, SAT is satisfaction, LOYAL is loyalty, and QUAL is quality.

Table 44. Airline CFA Experiment

	HV	UV	INV	SAT	LOYAL	QUAL
HV1	0.90					
HV2	0.91					
HV3	0.88					
HV4	0.87					
HV5	0.88					
HV6	0.81					
HV7	0.79					
HV8	0.63					
UV1		0.88				
UV2		0.83				
UV3		0.76				
INVO1			0.72			
INVO3			0.94			
INVO4			0.94			
SAT1				0.97		
SAT2				0.94		
SAT3				0.94		
LOY1					0.96	
LOY2					0.97	
LOY3					0.96	
QUAL1						0.98
QUAL2						0.99
QUAL3						0.96
Variance Extracted	70.08%	68.31%	76.19%	90.78%	93.00%	94.9%
Construct Reliability	0.95	0.87	0.90	0.97	0.98	0.98

Table 44 (Continued)

Φ matrix						
HV	1.00					
UV	0.75	1.00				
INV	0.29	0.24	1.00			
SAT	0.87	0.91	0.24	1.00		
LOY	0.85	0.82	0.22	0.91	1.00	
QUAL	0.90	0.81	0.24	0.95	0.91	1.00

Φ matrix SQUARED						
HV	1.00					
UV	0.56	1.00				
INV	0.08	0.06	1.00			
SAT	0.76	0.82	0.06	1.00		
LOY	0.73	0.66	0.05	0.84	1.00	
QUAL	0.82	0.65	0.06	0.91	0.83	1.00

Airline Results

A multivariate analysis of variance (MANOVA) was conducted with quality and loyalty as dependent variables and the experimental variables included in a full factorial design. The summed involvement scale, scenario believability, gender, age, and a locus of control question were included as covariates. Based on Wilks' Lambda, all three main effects significantly affect the dependent variables ($p < .05$). Specifically, Wilks' Lambda for Expectations produces a multivariate F value of 8.8 ($df=2, 239, p < .001$), the Wilks' Lambda for utilitarian value produces an F value of 39.2 ($df=2, 239, p < .001$), and the Wilks' Lambda for hedonic value produces an F value of 67.8 ($df=2, 239, p < .001$). Three 2-way interaction are significant at the .1 level or lower. The first is between expectations and utilitarian value where Wilks' Lambda produces a significant F value of 4.94 ($df=2, 239, p = .008$).

The second is between expectations and hedonic value where the Wilks' Lambda produces an F value of 3.08 (df=2, 239, p=.048). The first is between hedonic value and utilitarian value where the Wilks' Lambda produces an F value of .056. Of the covariates, involvement is significant at the .05 level where the Wilks' Lambda produces an F value of 4.97 (df=2, 239, p = .008) as is locus of control with a Wilks' Lambda produced F value of 5.5 (df=2, 239, .005). The analysis will include the covariates. The significant multivariate models provide support necessary to move on to interpreting the univariate results. Table 45 displays the univariate results.

Table 45. Airline Experiment Univariate Analysis for Quality and Loyalty

	Quality			Loyalty		
	df	F	Sig.	Df	F	Sig.
Covariates						
Age	1	.264	.608	1	1.3	.253
Gender	1	.078	.78	1	.838	.361
Locus	1	1.01	.315	1	1.3	.255
Involvement	1	9.5	.002	1	8.2	.005
Main Effects						
Utilitarian Value	1	67.9	0.001	1	72.9	0.001
Hedonic Value	1	136.2	0.001	1	88.2	0.001
Expectations	1	15.2	0.001	1	16.4	0.001
Two-way Interactions						
UV X HV	1	5.5	.02	1	2.2	.139
Expectations X UV	1	1.1	.29	1	7.0	.009
Expectations X HV	1	4.5	.035	1	6.1	.014
Three-way Interaction						
UV X HV X Expectations	1	1.5	.223	1	.488	.485

The corrected model for quality yields an d F (df=11, 239, R^2=.549) of 24.3 ($p < .001$). Likewise, the univariate model for loyalty yields an F (df = 11, 239, R^2=.505) of 20.5 ($p < .001$).

The research question posits that the collective effects for providing value will be greater than the collective effects of meeting expectations, a clear component of satisfaction (Oliver 1984). The expectations manipulation will be examined first. The between subjects test with loyalty as the dependent variable and expectations as the independent variable shows expectations to be significant at an F = 16.50 (df=1, 239, partial eta=.077, $p < .001$). Subjects in the condition where the store failed to meet the customer's expectations report a mean loyalty score of 9.31 as opposed to 11.77 in the condition where the store met the customer's expectations. Further, the model predicting quality based on meeting a customer's expectations is also significant at an F value of 15.33 (df=1, 239, partial eta=.071). Subjects in the expectations met condition report a mean of 14.75 as opposed to 12.14 in the failed expectation condition. Taken collectively, expectations do have an effect on quality and loyalty. Table 3 displays the means for each main effect.

Next, the utilitarian manipulation will be examined. The between subjects test with loyalty as the dependent variable and utilitarian value as the independent variable shows utilitarian value to be significant at an F = 72 (df=1, 239, partial eta=.27, $p < .001$). Subjects in the condition where the store fails to provide the customer with utilitarian value report a mean loyalty score of 8 as opposed to 13 in the condition where the store provides the customer with utilitarian value. Further, the model predicting quality based on utilitarian value is also significant at an F value of 67.91 (df=1, 239, partial eta=.25).

Subjects in the high utilitarian value condition report a mean of 16.20 as opposed to 10.6 in the low utilitarian value condition. Taken collectively, utilitarian value has a greater effect on quality and loyalty than does expectations. Table 46 presents the F value and partial etas as evidence for this assertion.

The third component to be examined in hedonic value. The between subjects test with loyalty as the dependent variable and hedonic value as the independent variable shows hedonic value to be significant at an F = 88.3 (df=1, 239, partial eta=.31, $p < .001$). Subjects in the condition where the store fails to provide the customer with hedonic value report a mean loyalty score of 7.7 as opposed to 13.2 in the condition where the store provides the customer with hedonic value. Further, the model predicting quality based on hedonic value is also significant at an F value of 74.1 (df=1, 239, partial eta=.41). Subjects in the high hedonic value condition report a mean of 17.5 as opposed to 9.4 in the low hedonic value condition. Taken collectively, hedonic value, similar to utilitarian value, has a greater effect on quality and loyalty than does expectations. Thus, providing customers with an experience beyond simply completing the task of traveling will lead to a perception of quality and an intention to be loyal. Thus, Table 46 displays the partial eta a table format. Table 46 presents the F values in parentheses followed by the partial etas.

Table 46. Airline F Values and Partial Eta^2

Partial Eta	Quality	Loyalty
Expectations	(15.3) 0.07	(16.5) 0.07
Hedonic Value	(74.1) 0.41	(88.3) 0.31
Utilitarian Value	(67.9) 0.25	(72.0) 0.27

In this case, four 2-way interactions are significant with p values at least less than .1. The utilitarian value and expectations main effects are qualified by a significant two-way interaction. The two-way interaction is between utilitarian value and expectations on loyalty with an F value of 5.8 (df=1, 239, p=.009, partial eta=.034). The two-way ordinal interaction means appear in Table 4 and are graphed in Graph 1. The results suggest that retailers who offer customers an experience that is above the customer's expectations and offers high utilitarian value will lead to greater customer loyalty than a firm who merely exceeds expectations to offer satisfaction. In a sense, retailers who offer utilitarian value and conditions customers to expect as much can maximize customers' loyalty toward the firm.

The two-way interactions between satisfaction and hedonic value tell a similar story. Both of the dependent variables, loyalty and quality, show significant two-way interactions. With loyalty as the dependant variable, the F value is 6.1 (df=1, 239, p = .014, partial eta=.03). The two-way interaction with quality as the dependent variable has an F value of 4.5 (df=1, 239, p=.035). When customers expect to receive hedonic value, and then receive it, the customer rates the providing firm as high quality and intends to be loyal.

The final significant two-way interaction is between hedonic value and utilitarian value with quality as the dependent variable. This critical interaction underscores the importance of getting both the hedonic value and utilitarian value correct in the customer's eyes to be seen as a quality provider. The interaction shows an F value of 5.51 (df=1, 239, partial eta=.027). The means are provided in Tables 47-51, and the interaction graphs are provided in Figures 15-18.

Table 47. Means and Standard Error for Main Effects

	Sample Size	Quality	Loyalty
Met Expectations	124	14.7 (.47)	11.7 (.40)
Failed Expectations	115	12.1 (.49)	9.3 (.42)
High UV	122	16.2 (.47)	13.0 (.41)
Low UV	117	10.6 (.49)	8.0 (.42)
High HV	126	17.5(.48)	13.2 (.41)
Low HV	113	9.4 (.49)	7.7 (.42)

Table 48. Means and Standard Error for Significant Two-way Interaction

	Loyalty	
	Failed Expectations	Met Expectations
Low UV	7.6 (.63)	8.4 (.56)
High UV	11.0 (.56)	15 (.58)

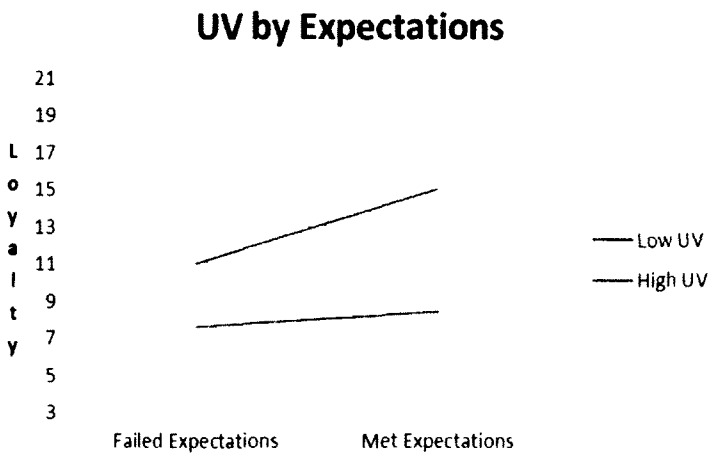

Figure 15. UV by Expectations Interaction

Table 49. Airline UV by Expectations Interaction

	Loyalty	
	Failed Expectations	Met Expectations
Low HV	7.3 (.61)	8.2 (.58)
High HV	11.4 (.61)	15.2 (.56)

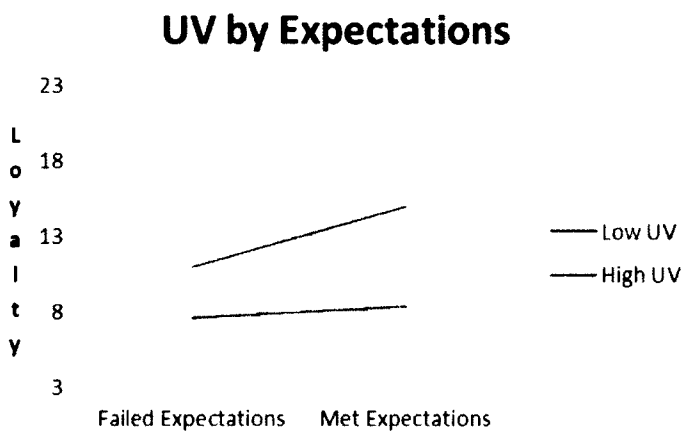

Figure 16. Airline HV by Expectations Interaction

Table 50. Airline HV by Expectations Interaction on Perceived Quality

	Quality	
	Failed Expectations	Met Expectations
Low HV	8.75 (.71)	9.9 (.67)
High HV	15.4 (.71)	19.6 (.66)

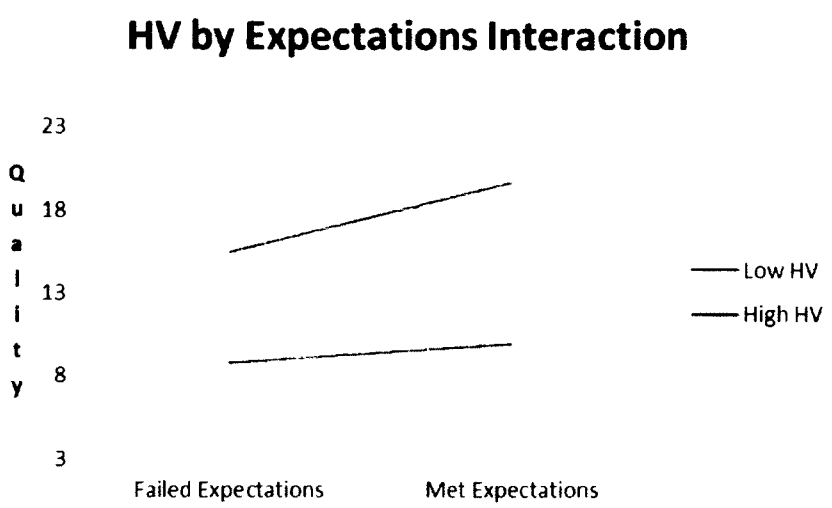

Figure 17. Airline HV by Expectations Interaction

Table 51. Airline UV by HV Interaction on Perceived Quality

	Quality	
	Low HV	High HV
Low UV	7.3 (.7)	11.4 (.68)
High UV	13.8 (.7)	21.1 (.67)

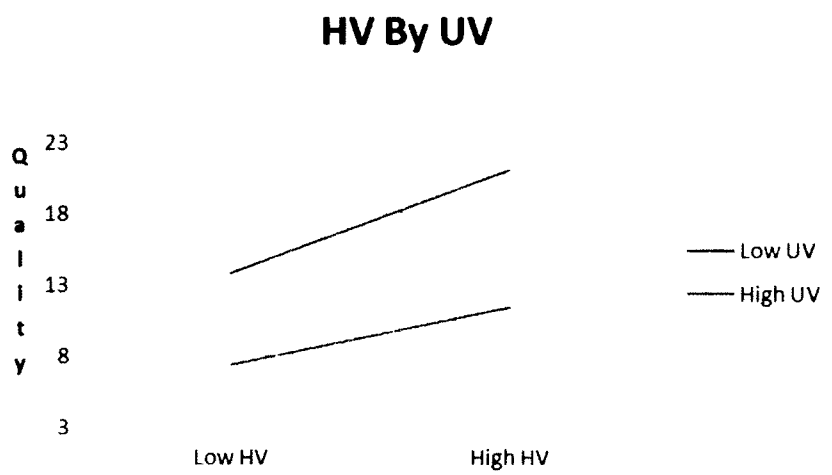

Figure 18. Airline HV by UV Interaction on Perceived Quality

To address research question two, the retail and airline results both provide evidence that providing either utilitarian value or hedonic value can lead to customers who see the firm as a quality provider and customers who intend to be loyal. The retail interaction regarding utilitarian value and intentions suggests retailers have a chance to create even greater quality perceptions and loyalty intentions by setting the expectations regarding the efficient shopping experience and then providing that experience as promised. The airline interactions suggest that providing both an efficient and enjoyable travel experience can lead to greater quality perceptions and loyalty intentions.

Single-Item Survey Retail Path Analysis

In order to strive for consistency with the experiment section, the single-item path analysis is conducted separately for the retailers and airlines. Each respondent rated either each retailer or each airline on five single item measures including hedonic value, satisfaction, utilitarian value, overall value, and loyalty. The wording used for each single-item scale is provided below:

- Hedonic value: Think about a typical shopping trip at each retailer shown below. Rate each retailer on the extent to which the shopping trip itself is enjoyable or exciting. In other words, the visit is worthwhile even if you don't buy anything.
- Utilitarian value: Please rate each retailer below based on the extent to which you are able to accomplish the specific task of shopping (find products you need to buy, buy them at a reasonable price). O means that zero percent of the task would get completed and 100 means that 100 percent of the task would get completed.

- Overall value: Overall, think about everything gained from your shopping experience with these particular retailers weighed against all the costs of shopping in these stores, and rate the overall value you received from your most recent interactions with that retailer. A score below 50 means the costs outweighed the benefits. A score above 50 means the benefits outweighed the costs.
- Satisfaction: Rate each retailer based on your opinion of how satisfied you are with your decision to shop at each retailer.
- Loyalty: What is the likelihood of continuing to shop at the retailer based on your recent experiences? Zero means zero percent chance and 100 means 100 percent chance.

A construct was operationalized to represent firm financial performance. Earnings per share (EPS) and Return on assets (ROA) were chosen as the two variables to comprise the construct for testing.

Each respondent rated each retailer using the scales described above. The presentation of the retailers was randomized to minimize any order effect. Sliding scales were used to capture respondent feedback. A 100 point scale was used in each case. A "don't know" option was provided to respondents who either could not recall a recent experience or simply had not patronized the particular retailer.

The gender breakdown is 50 percent females, the median age falls between 41-50 years of age with the two largest age groups being the 61-70 year olds and the 51-60 year olds (24.8 percent and 20.9 percent, respectively). Fifty percent of the sample lives in a household earning less than $50,000. Forty five percent of the respondents hold only a

high school degree, and 38 percent of the sample holds an undergraduate degree. The basic demographics are the same for both the short-form retail analysis and the multi-item retail analysis as the same respondent responded to both.

The conceptual model tested is depicted in Figure 19:

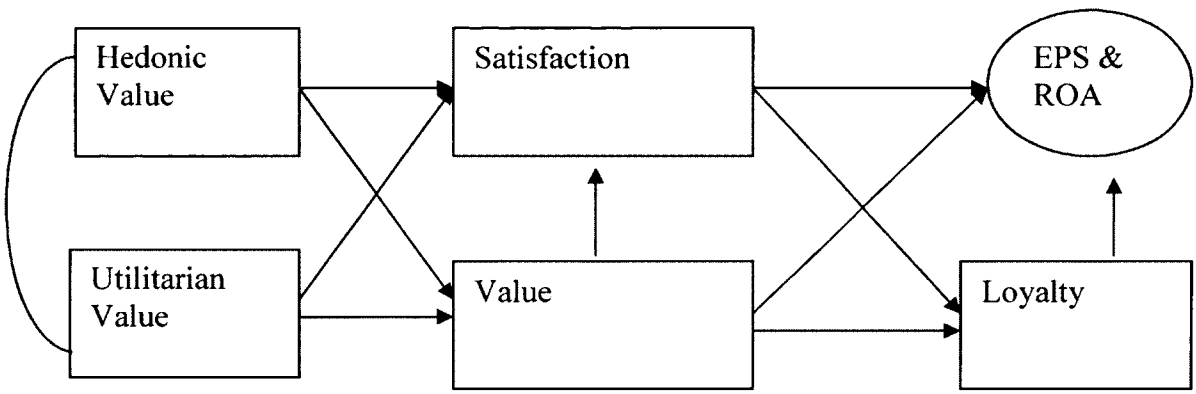

Figure 19. Retail Path Analysis

The parameter estimates resulting from path analysis are shown in Table 52, including the standardized results and the correlations among the exogenous variables – hedonic value and utilitarian value. The construct "Market Perf" is comprised of earnings per share (EPS) and return on assets (ROA) and is designed as a proxy for market performance.

Market Perf, or market performance, is a two item construct comprised of EPS and ROA. ROA and EPS share a correlation of .56, and ROA has a standard error of .066 and has a significant p value ($p<.001$). Additionally, hedonic value and utilitarian value share a correlation of .815.

Table 52. Retail Path Analysis Results

Relationship			Standard Estimate	Standard Error	P Value
HV	TO	VALUE	0.260	0.014	0.001
UV	TO	VALUE	0.633	0.0013	0.001
UV	TO	SATISFACTION	0.305	0.015	0.001
HV	TO	SATISFACTION	0.206	0.013	0.001
VALUE	TO	SATISFACTION	0.477	0.014	0.001
VALUE	TO	LOYALTY	0.305	0.0018	0.001
SATISFACTION	TO	LOYALTY	0.644	0.017	0.001
VALUE	TO	MARKET PERF			n.s.
SATISFACTION	TO	MARKET PERF			n.s.
LOYALTY	TO	MARKET PERF	0.138	0.003	0.001

A list of the firms provided in the sample and the number of responses for each firm is provided in Table 53.

Table 53. Retail Path Analysis Firms and Sample Size

	Effective Sample Size
Albertsons	198
Dillard's	213
Dollar General	321
JC Penney	376
Kohl's	342
Kroger	233
Macy's	306
Nordstrom	203
Publix	172
Safeway	200
Sears	389
Target	406
Wal-Mart	437
Whole Foods	207
Winn Dixie	172
Total	4175

The model has a chi-squared value of 115 with 8 degrees of freedom ($p < .001$), a CFI of .96, and an RMSEA of .04. The results indicate a significant p value for all relationships except for satisfaction to the market variables comprised of EPS and ROA. The conceptual model, with the standardized regression weights associated with each path, is as follows in Figure 20.

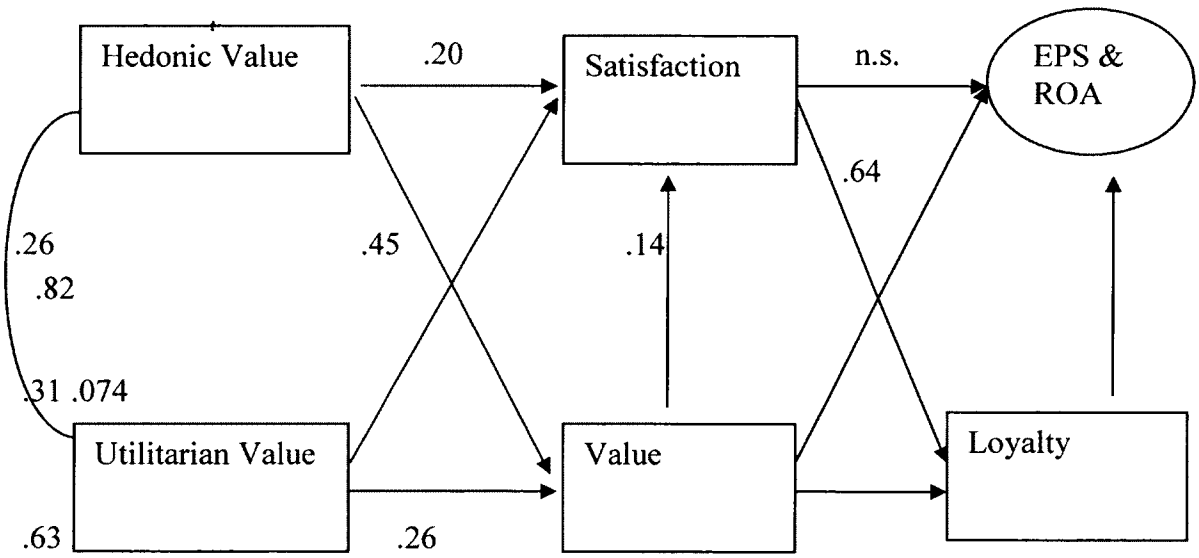

Figure 20. Retail Path Single Item Analysis Results

The results indicate that overall value is driven mostly by utilitarian value rather than hedonic value. Further, utilitarian value is a stronger driver of satisfaction than is hedonic value. Utilitarian value does provide a strong link to overall value (β=.63, $p<$ .01). On the right-hand side of the model, satisfaction is not related to the EPS/ROA construct. Overall value, on the other hand, is positively related to market performance (β= .074, $p < .01$). Satisfaction does have a strong relationship with loyalty, as can be seen by the strong-positive relationship between the two variables (β=.64, $p < .01$).

Overall value does contribute positively and significantly to loyalty, but not as strongly as does satisfaction. Finally, loyalty is positively related to the EPS/ROA construct (β=.14, $p < .01$).

Single-Item Survey Path Analysis for Airlines

The single-item path analysis addresses research questions 1 and 2. Originally this analysis, along with the retail single item path analysis, was designed to test research question one. However, due to multicollinearity, the opportunity to assess the hedonic and utilitarian dimensions arose and the analysis was conducted which address research questions 1 and 2. Thus, this section represents a test of research questions 1 and 2. The multicollinearity problem will be discussed in a later section, however, the variance inflation factors were examined for the independent variables and a correction using principle component analysis and factor analysis is used to correct for the problem.

Each respondent rated each airline on five single item measures including hedonic value, satisfaction, utilitarian value, overall value, and loyalty. The wording used for each single-item scale is provided below:

- Hedonic value: Think about a typical travel experience with each airline below. Rate each airline by the extent to which the travel experience itself is truly a joyful experience.
- Utilitarian value: Think about a typical trip. Please rate each airline below based on the extent to which you are able to accomplish the specific task of traveling. Zero means that the travel task is unreasonably difficult and 100 means that the travel task is effortless.

- Overall value: Overall, thinking about everything you gain from your travel experiences with each airline listed below weighed against the costs of traveling with these airlines, rate the overall value you receive from your experiences with these airlines. A score below 50 means the overall costs outweigh the overall benefits. Scores above 50 mean the overall benefits outweigh the overall costs.
- Satisfaction: Rate the airlines you are familiar with below based on your opinion of how satisfied you are with your decision to travel with that airline:
- Loyalty: What is the likelihood of continuing to travel with each airline below? Zero means zero percent chance and 100 means a 100 percent chance.

A construct was created to represent firm performance. Earnings per share and return on assets were chosen as the two variables to comprise the final endogenous outcome of the model. Each respondent rated each airline using the scale items described above. The presentation of the various airlines was randomized across respondents to eliminate any potential order effect. Sliding scales were used to capture respondent feedback across a 100 point scale capturing variance from negative to positive for each variable. A "don't know" option was provided to respondents who either could not recall a recent experience or simply had not travelled with the particular airline.

The demographics show that 50 percent of the respondents are female. The median age falls between 41-50 years of age with the largest percentage of respondents being 21-30 and 61-70 (24 percent and 21.2 percent, respectively). The largest percentage of respondents have a household income of between 50-75 thousand dollars (24.4 percent), and 45 percent hold an undergraduate degree as the highest degree earned. The

descriptive statistics are the same for both short-form airline analysis and the long-form airline analysis. The conceptual model tested is as depicted in Figure 19 in the retail section.

The path analysis results are as follows in Table 54 along with the standardized results and the results of the correlation between hedonic value and utilitarian value. Hedonic value is represented by HV, utilitarian value is represented by UV, overall value is represented by Value, satisfaction is represented by satisfaction, and market performance is represented by "Market Perf".

Table 54. Airline Path Analysis Parameter Estimates

Relationship			**Standard Estimate**	**Standard Error**	**P Value**
HV	TO	VALUE	0.406	0.026	0.001
UV	TO	VALUE	0.442	0.027	0.001
UV	TO	SATISFACTION	0.321	0.025	0.001
HV	TO	SATISFACTION	0.360	0.023	0.001
VALUE	TO	SATISFACTION	0.285	0.024	0.001
VALUE	TO	LOYALTY	0.161	0.032	0.001
SATISFACTION	TO	LOYALTY	0.644	0.031	0.001
VALUE	TO	MARKET PERF			n.s.
SATISFACTION	TO	MARKET PERF			n.s.
LOYALTY	TO	MARKET PERF			n.s.

Market performance is a two item construct comprised of EPS and ROA. In this case, ROA and EPS share a correlation of .95, and a standard error of .131. Additionally, hedonic value and utilitarian value share a correlation of .73, a standard error of .24, and both are significant ($p < .01$). A list of the firms provided in the sample and the number of responses for each firm is provided in Table 55.

Table 55. Airline Firms and Sample Size

	Effective Sample Size
American Airlines	169
Continental Airlines	159
Delta Airlines	170
JetBlue	117
Northwest Airlines	127
Southwest Airlines	173
United Airlines	166
US Airways	143
Total	1224

The model has a chi-squared value of 78.41 ($p < .001$) with 8 degrees of freedom, a CFI of .996, and an RMSEA of .07. Thus, the model displays adequate fit to continue.

The results indicate that all path estimates are statistically significant ($p < .05$) except for the estimates from overall value, satisfaction, and loyalty to the market construct comprised of EPS and ROA. The conceptual model with the standardized regression weights associated with each path is as follows in Figure 21.

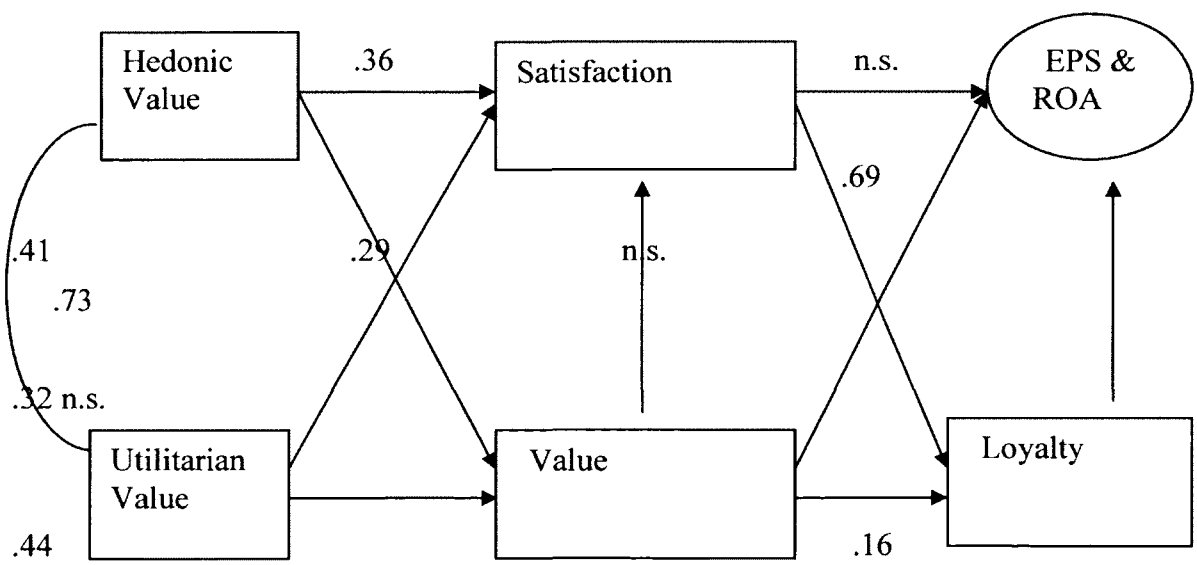

Figure 21. Airline Single Item Path Analysis Results

The results show that the main driver of satisfaction in the airline industry is hedonic value rather than utilitarian value. Overall value, on the other hand is driven mostly by utilitarian value. However, utilitarian value and hedonic value do show a positive and significant relationship (p=.001, correlation = .73). Interestingly, overall value only relates to satisfaction with a standardized regression value of .29 (p=.001).

The right side of the model shows satisfaction relating positively and significantly to loyalty (standardized $\beta = .69$, $p < .001$). Overall value relates positively to loyalty ($\beta = 0.16$, $p < .05$) but not as strongly as does satisfaction. An additional path model that constrained the coefficients to be equal (the value – loyalty and the satisfaction – loyalty relationships) produced a χ^2 of 1609, with 11 degrees of freedom ($p < .001$), suggesting a significantly worse fit than the base model. Thus, perceived satisfaction relates to perceived loyalty more strongly than does value in this particular instance. Neither satisfaction, loyalty, nor overall value is related to the market value construct comprised of EPS and ROA.

Retail Single Item Survey Analysis for Multicollinearity

Based on the evidence of potential collinearity each variable was mathematically transformed into a component with little to know correlation from the others using principal component analysis. In order to assess possible multicollinearity issues, variance inflation factors and the related tolerance scores were obtained for the relevant variables and are presented in Table 56. Thus, based on the evidence of potential collinearity, each variable was mathematically transformed into a component with little to

no correlation from the other variables using principal component analysis. The retail analysis will be dealt with first.

Table 56. Retail Multicollinearity Table Including VIF and Tolerance

	Tolerance	VIF
HV	0.31	3.24
UV	0.21	4.66
OVALUE	0.22	4.53
SAT	0.21	4.81

As can be seen, multicollinearity does surpass a critical value as stated in Hair et al. (2010). A value of five a typical cut-off, but if values are approaching five, a problem could emerge. For this analysis three of the variables display a value above four. A value of one means that no mulitcollinearity exists. In this case, satisfaction has a variance inflation factor of 4.81, and both UV and Overall Value show a variance inflation factor approaching 5. This means that satisfaction has a correlation near .90 with other variables in the model, thus inflating the standard error.

To rectify the multicollinearity, principal component analysis with be used along with varimax rotation so that the extracted components will not be correlated, thus factor analysis scores are used for each predictor variable. The four variables were entered into the principal components analysis with four components extracted. Those components were rotated using the varimax procedure. In the end, each variable loaded highly on only one factor. Factor scores were computed for each, and because of the varimax rotation, each of these represents a mathematically transformed but independent representation of each concept. Table 57 represents the correlation matrix between the components and the original variables.

Table 57. Retail Factor Score Correlations

	HV	Value	Sat	UV
Hedonic Value Factor	0.85			
Overall Value Factor	0.33	0.78		
Satisfaction Factor	0.29	0.33	0.76	
Utilitarian Value Factor	0.29	0.37	0.35	0.75

Thus, the factor scores will be used as independent variables to assess the research questions. A general linear model approach will operationalize multivariate regression analysis with the hedonic factor, overall value factor, satisfaction factor, and utilitarian value factor as independent variables predicting EPS, ROA, and loyalty. This analysis will allow further insight into the research questions with the advantage of uncorrelated predictor variables.

Wilks' Lambda and the corresponding multivariate F provide tests of each independent variables predictive ability. All 4 independent variables yield significant F-statistics (p value < .001). The significant multivariate F statistics provide support for proceeding to the univariate regression analyses and to analyze the relationship between the dependent and independent variables. Table 58 provides the regression results.

Table 58. Univariate Results for EPS, ROA, and Loyalty

	EPS				ROA				Loyalty			
	df	F	Sig.	B	df	F	Sig.	βB	df	F	Sig.	B
Corrected Model	4	22.2	0.00		4	11.7	0.00		4	2553	0.00	
Intercept	1	1650	0.00	0.14	1	14872	0.00	0.07	1	46134	0.00	0.119
HV	1	44	0.00	0.1	1	15	0.00	0.06	1	1726	0.00	0.331
Ovalue	1	27.4	0.00	0.08	1	22.4	0.00	0.08	1	2648	0.00	0.411
Satisfaction	1	13	0.00	0.06	1	9.7	0.00	0.05	1	4061	0.00	0.500
UV	1	6.8	0.01	0.04	1	0.096	n.s.		1	2062	0.00	0.361

EPS R Squared = .025
ROA R Squared = .014
Loyalty R Squared = .75

The results indicate that hedonic value and overall value contribute the most to explaining the variance in EPS and ROA, respectively, while satisfaction explains the variance in the loyalty dependent variable. The standardized β are presented. The findings indicate that Hedonic value (p=.001, df=1, β=.1) and overall value (p=.001, df=1, β = .08) explain more of the variance in EPS than does satisfaction (p=.001, df=1, B=.06). Utilitarian value explains the least amount of variance (p=.001, df=1. B=.04). Overall value (p=.001, df=1, B=.08) and hedonic value (p=.001, df=1, B=.06) explain the most variance in the ROA dependent variable while satisfaction explains more variance than does utilitarian value. Satisfaction dexplains the most variance in the loyalty dependent variable (p=.001, df=1, B=.5) with overall value second (p=.-001, d=1, B=.41) and utilitarian value third (p=.001, df=1, B=.36).

The findings that both hedonic value and overall value contribute toward explaining firm performance, in this case ROA and EPS, more so than does satisfaction provides support for research question one in the diagnosticity of value, and research question two in the relative importance of hedonic value over satisfaction. Thus, this analysis supports research questions 1 and 2.

Airline Single-Item Survey Analysis Adjusting for Multicollinearity

In order to assess possible multicollinearity issues, variance inflation factors and the related tolerance scores were obtained for the relevant variables and are presented in Table 59.

Table 59. Airline Multicollinearity Tolerance and VIF

	Tolerance	VIF
HV	0.32	3.16
UV	0.33	3.08
OVALUE	0.34	2.91
SAT	0.22	4.47

The effect of multicollinearity is present but is not as prevalent as observed in the retail data set. However, hedonic value, utilitarian value, and overall values have VIF's either at or approaching three while satisfaction has a VIF over 4. This indicates that multicollinearity may be biasing the estimates.

To overcome multicollinearity, the same analysis will be used for the airline sample as was used for the retail sample. Specifically, four principal components will be created to assure that the independent variables are not correlated with each other. This overcomes the mulitcollinearity problem but does introduce error into the model simply by using factor scores instead of the actual variables. Thus, principal component analysis, using a varimax rotation will create rotated factors which are uncorrelated between variables.

The correlation matrix below shows the four factors and their correlation with the original variables. Table 60 represents the correlation matrix for the principal components and the original variables.

Table 60. Retail Correlation Matrix after Factor Analysis Rotation

	HV	Value	Sat	UV
Hedonic Value Factor	0.83			
Overall Value Factor	0.32	0.84		
Satisfaction Factor	0.38	0.36	0.79	
Utilitarian Value Factor	0.31	0.3	0.38	0.83

Thus, the factor scores will be used as independent variables to assess the research questions using the general linear model in a multivariate regression analysis with the hedonic factor, overall value factor, satisfaction factor, and utilitarian value factor as the independent variables and EPS, ROA, and loyalty as the dependent variables. This analysis will allow further insight into the research questions.

The dependent variables include EPS, ROA, and loyalty. The independent variables entered into the model are the uncorrelated factor scores for satisfaction, value, hedonic value, and utilitarian value. The Wilks' Lambda for all four independent produces significant multivariate F statistics (p value < .001). This provides us the ability to proceed to the individual univariate regression analyses and analyze the relationship between the dependent and independent variables. Table 61 provides the results of the multivariate analysis.

Table 61. Univariate Results for Loyalty

	Loyalty			
	df	F	Sig.	B
Corrected Model	4	498	0.00	
Intercept	1	12038	0.00	0.092
HV	1	416	0.00	0.38
Ovalue	1	338	0.00	0.33
Satisfaction	1	760	0.00	0.51
UV	1	329	0.00	0.33

Loyalty R Squared = .75

In the airline data, the univariate analyses for both ROA or EPS fail to produce a significant model F statistic. In contrast, the model with loyalty as a dependent variable is significant ($F = 498$, $p < 001$). The standard β are presented. The dominant driver of loyalty for airlines is satisfaction ($p=.001$, $df=1$, $\beta=.51$). Hedonic value ($p=.001$, $df=1$, $\beta=.38$) is the second driver of loyalty with utilitarian value ($p=.001$, $df=1$, $\beta=.33$) and overall value ($p=.001$, $df=1$, $\beta=.33$) explaining the least amount of variance in the loyalty variable.

This analysis runs contra to the prediction derived from the research question that value would be more diagnostic in key outcome variables than would satisfaction. Specifically, this analysis speaks to the diagnosticity of satisfaction in the prediction of loyalty over and above that of the value components.

CFA: Retail Multiple Item Survey

The CFA multi-item section addresses research question three by presenting the competing models test. First, a CFA will present the measurement properties of the multi-item scales. Then presentation of the SEM follows. Finally, the analyses are tested again using the airline sample.

The first step in assessing the multi-item retail sample will be to conduct a Confirmatory Factor Analysis (CFA) to assess the measurement properties of the model. The constructs included in the CFA are hedonic value, utilitarian value, expectations, satisfaction, loyalty, performance (comprised of earnings per share and return on assets), and quality. Table 62 presents the CFA results including the variance extracted, reliabilities, the correlation matrix, and the squared correlation matrix – all needed to assess construct validity.

Table 62. Retail CFA and Phi Matrix

	HV	UV	EXP	SAT	LOYAL	PERF	QUAL
HV1	0.83						
HV2	0.69						
HV3	0.89						
HV4	0.90						
HV5	0.82						
HV6	0.89						
HV7	0.86						
HV8	0.87						
HV9	0.82						
HV10	0.86						
UV1		0.89					
UV2		0.61					
UV3		0.72					
UV4		0.72					
EXP1			0.87				
EXP2			0.71				
EXP3			0.90				
SAT1				0.90			
SAT2				0.92			
SAT3				0.95			
LOY1					0.84		
LOY2					0.79		
LOY3					0.76		
LOY4					0.92		
LOY5					0.90		
LOY6					0.70		
PERF1						0.758	
PERF2						0.838	
QUAL1							0.948
QUAL2							0.934
QUAL3							0.893
Variance Extracted	70.9%	54.8%	69.1%	85.2%	67.5%	63.1%	85.2%
Construct Reliability	0.96	0.83	0.87	0.95	0.92	0.77	0.94

Table 62 (Continued)

Φ matrix							
HV	1.00						
UV	0.36	1.00					
EXP	0.60	0.57	1.00				
SAT	0.64	0.57	0.76	1.00			
LOY	0.67	0.57	0.78	0.85	1.00		
QUAL	0.64	0.59	0.81	0.87	0.83	1.00	
PERF	0.19	0.00	0.16	0.19	0.22	0.15	1.00

Φ matrix SQUARED							
HV	1.00						
UV	0.13	1.00					
EXP	0.36	0.32	1.00				
SAT	0.41	0.33	0.58	1.00			
LOY	0.45	0.33	0.60	0.73	1.00		
QUAL	0.41	0.35	0.65	0.76	0.69	1	
PERF	0.04	0.00	0.02	0.04	0.05	0.02	1

Confirmatory factor analysis is conducted to examine the psychometric properties of the scales involved in the analysis. An initial confirmatory factor analysis produced a χ^2 value of 1444.2 (df=413, p<.01), a goodness-of-fit statistic (CFI) of .921, and a root-mean-squared residual (RMSR) of .075. Further, the normed fit index (NFI=.893) indicates a marginally acceptable fit for a model of this complexity. The t-value for each loading estimate is significant (p<.001). One indication of construct validity is whether or not the standardized loading estimates exceed a minimum threshold of .5, better still, .7 (Hair et al. 2010) . All standard loadings do exceed the .5 threshold. A second measure of construct validity is whether or not the variance extracted exceeds .5 for each construct. All seven of the constructs variance extracted estimates exceed .5. In addition, the construct reliability estimates all exceed the .70 threshold.

Discriminant validity is used to assess whether the construct shares more variance with itself versus other constructs. All constructs except for quality and loyalty show a higher AVE compared to the ϕ squared matrix. The AVE for quality is .67 with the ϕ squared value between quality and loyalty at .69. The path between quality and loyalty was then set to one to determine if the two constructs could pass the second test of discriminant validity. The fit worsened to 1,512 (df=414), a χ^2 difference of 67.8 with one less degree of freedom. Thus, the two constructs are adequately different to proceed with further analysis.

Retail Multiple Item Survey:
The Structural Model

The first structural model will assess the model with overall value as a mediator to satisfaction. This model is in line with the Clause Fornell satisfaction index. A visual depiction of the model is presented in Figure 22.

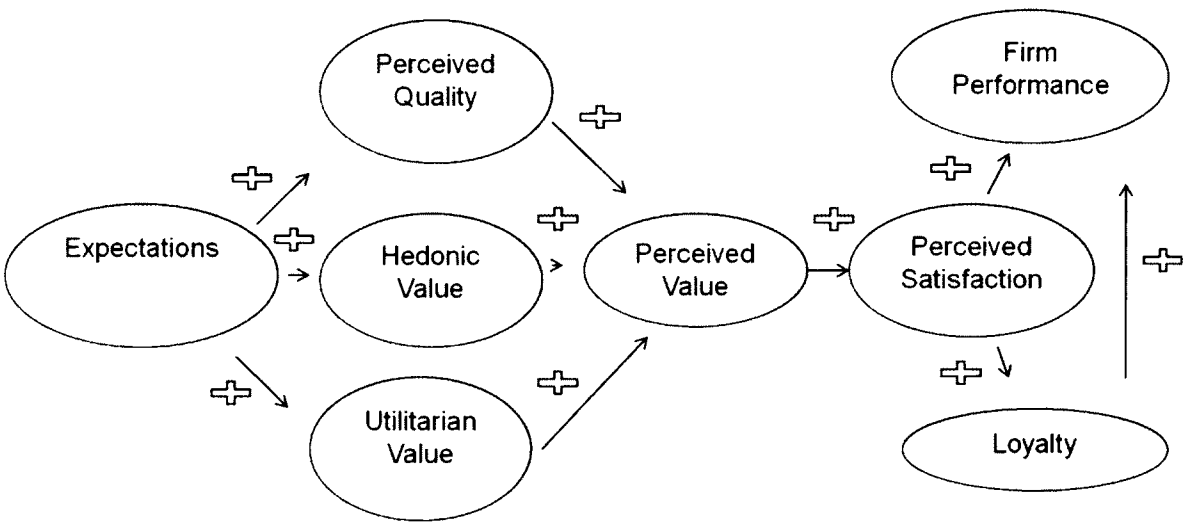

Figure 22. A Visual Reminder of Model 1

The model fit statistics will be discussed next. The chi-square and degrees of freedom for this model is 1,776 with 455 degrees of freedom (p=.001). The CFI is .90, the RMSEA is .08, and the NFI is .88. The significance levels and loadings of the construct indicators remain unchanged, which provides some indication of the structural model fit. The chi-squared difference between the two models is 331.90 with 42 degrees of freedom (p=.001). Table 63 shows the standardized regression coefficients, the standard error, and the p value for each of the hypothesized relationships in the above model. To simplify reading of the chart below, the Gamma column is from Satisfaction expectations to the other constructs. For example, the first relationship is from satisfaction expectations to utilitarian value.

Table 63. Retail SEM Structural Model Parameter Estimates

Gamma (effect from:)	To: Satisfaction Expectation
UVv	0.59
	0.06
	0.001
HV	0.65
	0.06
	0.001
Qual	0.84
	0.07
	0.001

Beta		Uv	Hv	Qual
Uv		...	...	...
		...	...	...
		...	...	...

Table 63 (Continued)

Hv		...	...	...
		...	...	...
		...	...	...
Qual		...	...	...
		...	...	...
		...	...	...
Value		0.19	0.12	0.65
		0.64	0.64	0.5
		0.001	0.001	0.001

Beta	Value
Value	...
	...
	...
Satisfaction	0.88
	0.03
	0.001

Beta	Satisfaction	Loyalty
Satisfaction	...	
	...	
	...	
Loyalty	0.86	...
	0.03	...
	0.001	...
Performance	0.014	0.2
	0.013	0.23
	NS	NS

A picture of the path model with the standardized regression coefficients along each path is shown below. The path from satisfaction to performance and the path from loyalty to performance are insignificant. The remainder of the paths are statistically significant. Figure 23 displays the model.

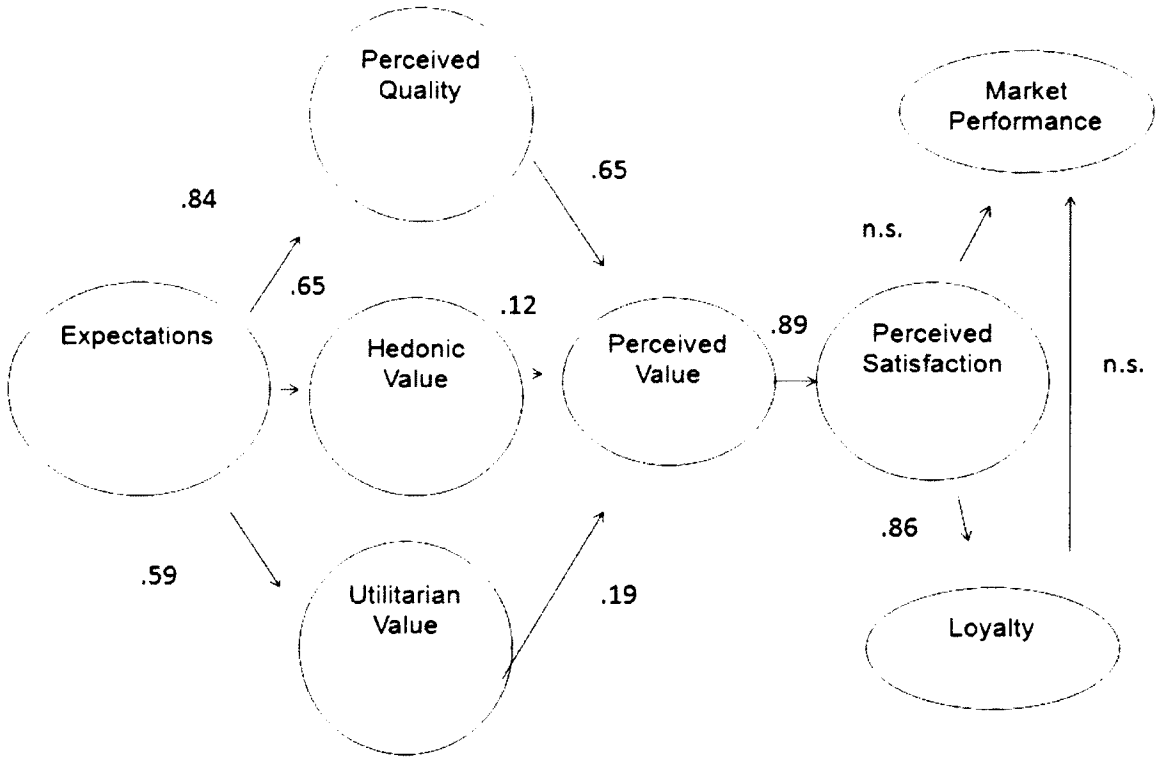

Figure 23. Retail SEM Competing Model Analysis

Of the three beta relationships (endogenous to endogenous), expectations explain the most variancein perceived quality, then hedonic value, and then utilitarian value. Quality most influences overall value received by the customer, then utilitarian value, and then hedonic value. The overall value question is strongly related to satisfaction. Finally, of the constructs on the right hand side of the model (satisfaction, loyalty, and firm performance), the only statistically significant relationship is between satisfaction and loyalty. The relationship between satisfaction and firm performance and the relationship between loyalty and firm performance is not significant.

Retail Multiple Item Survey:
Competing Models Test

A competing models test was conducted to assess whether overall value would add explanatory relevance to the outcome variables loyalty and firm performance. The model is seen below in Figure 24, which is also seen in Figure 13.

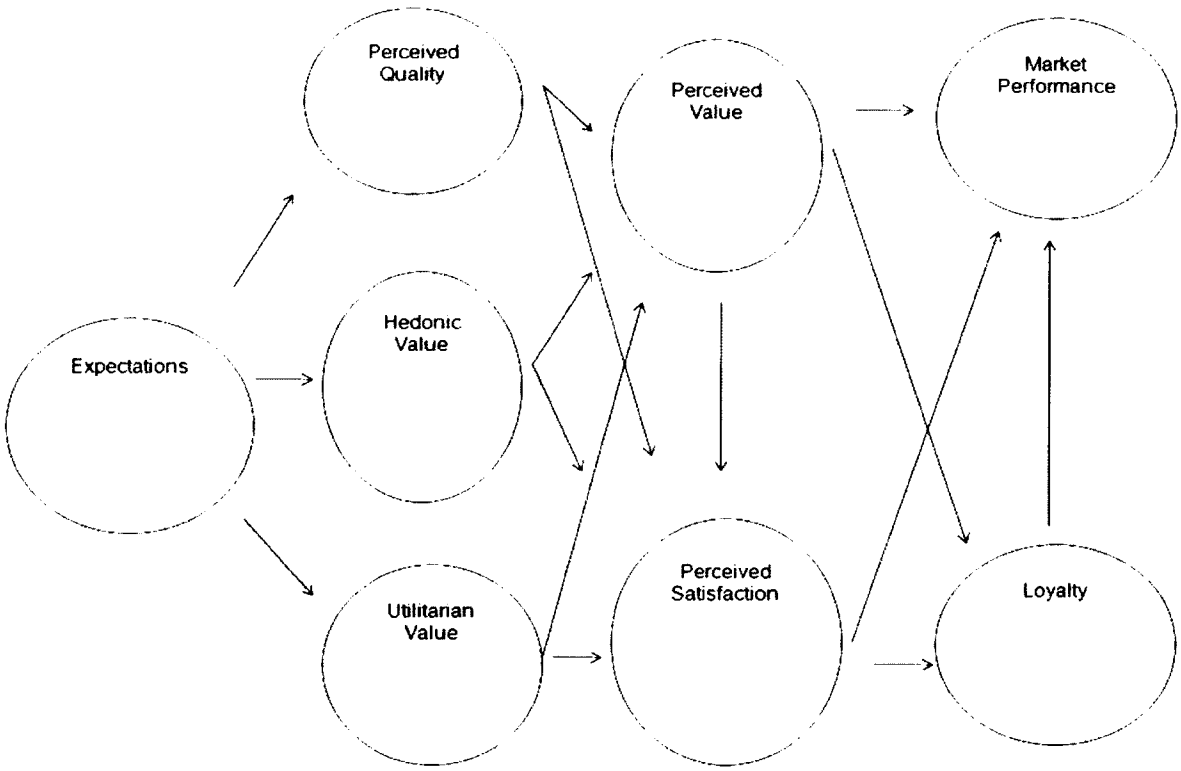

Figure 24. Structural Model from Chapter 3

The model fit statistics will be discussed next. Figure 25 has a chi-squared value of 1621.6 with 450 degrees of freedom (p=.001). The model has a CFI of .914, RMSEA of .077, and a NFI of .886. The chi-squared difference between the two models is 154.4 with 5 degrees of freedom (p=.001) which indicates that the model depicted in Figure 25 fits better than does the model shown in Figure 23. The CFI (Figure 23=.903, Figure

25=.914), RMSEA (Figure 23=.081, Figure 25=.077), and the NFI (Figure 23=.875, Figure 25=.886) all indicate that Figure 25 has an improvement in fit over Figure 23.

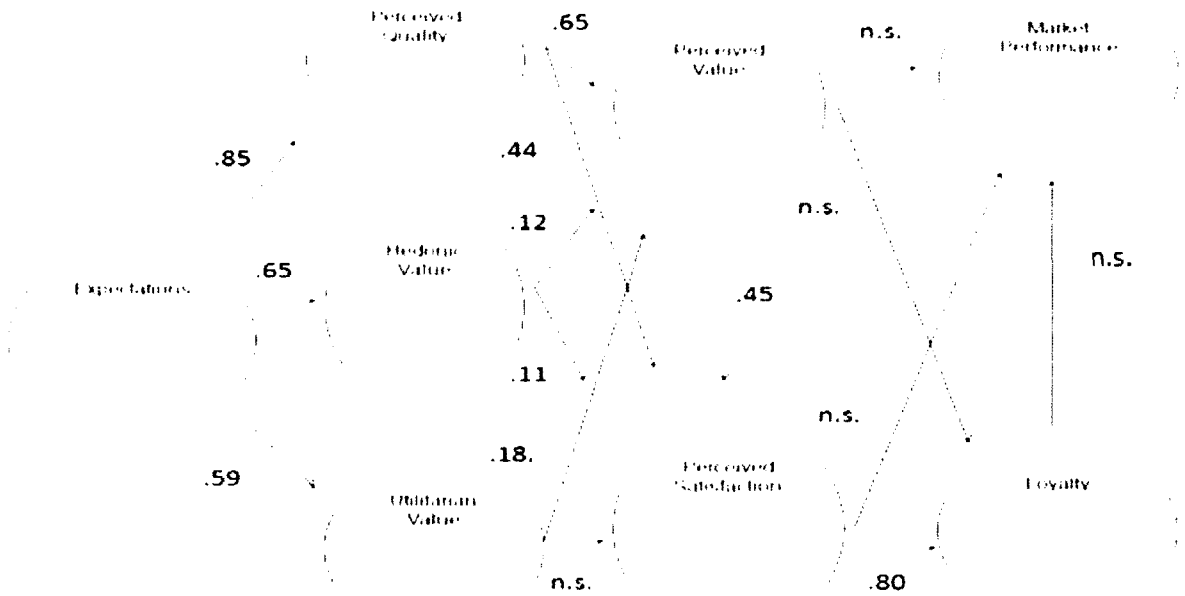

Figure 25. Retail Competing Models Test

The competing models test, while appearing to display a better structural fit than the baseline model (Figure 23), does not add much insight into the right side of the model, particularly with respect to the overall value question and performance or loyalty. Insignificant relationships are seen between overall value and performance and loyalty, and between satisfaction and performance. Satisfaction remains a strong predictor of loyalty (b=.80, p=.001). The formative relationship between value and satisfaction remains statistically significant (b=.45, p=.001). The relationship between utilitarian value and satisfaction is insignificant. Utilitarian value appears to influence a customer's perception of overall value rather than relating directly to overall value. Of the constructs

that could comprise overall value, quality appears to have the heaviest influence in forming overall value. Quality also has a positive significant relationship in the formation of satisfaction (b=.44, p=.001). Hedonic value does have a positive and significant relationship with overall value and satisfaction, but the relationship is not as strong as quality's relationship with value and satisfaction.

Taken collectively, these results do not add support to research question three, which presents overall value as a key mediator in addition to satisfaction. Although the model with overall value does fit better than the alternative model, the lack of significance between overall value and the outcome variables does not provide the necessary support to lend credence to the research question under investigation.

Airline Multiple Item Survey CFA Analysis

The second competing model test is using the airline sample. Similar to the retail analysis, a competing models test positions overall value against satisfaction to challenge the Fornell satisfaction index. The first step in assessing the multi-item airline sample will be to conduct a confirmatory factor analysis (CFA) to assess the measurement properties of the model. The constructs included in the CFA are hedonic value, utilitarian value, expectations, satisfaction, loyalty, performance (comprised of earnings per share and return on assets), and quality. Table 64 is the CFA results with the variance extracted, reliabilities, the correlation matrix, and the squared correlation matrix.

Table 64. First Airline Multi-Item CFA

	HV	UV	EXP	SAT	LOYAL	PERF	QUAL
HV1	0.92						
HV2	0.92						
HV3	0.93						
HV4	0.92						
HV5	0.90						
HV6	0.86						
HV7	0.87						
UV1		0.83					
UV2		0.93					
UV3		0.87					
EXP1			0.91				
EXP3			0.92				
SAT1				0.94			
SAT2				0.95			
SAT3				0.89			
LOY1					0.87		
LOY3					0.96		
LOY5					0.96		
PERF1						1	
PERF2						0.96	
QUAL1							0.96
QUAL2							0.97
QUAL3							0.94
Variance Extracted	81.36%	77.03%	84.00%	86.00%	86.42%	96.00%	91.40%
Construct Reliability	0.97	0.91	0.91	0.95	0.95	0.98	0.97
Φ matrix							
HV	1.00						
UV	0.79	1.00					
EXP	0.83	0.82	1.00				
SAT	0.84	0.80	0.85	1.00			
LOY	0.81	0.82	0.84	0.89	1.00		
QUAL	0.82	0.81	0.86	0.92	0.88	1.00	
PERF	0.00	0.00	0.00	0.00	0.00	0.00	1.00

Table 64 (Continued)

Φ matrix SQUARED							
HV	1.00						
UV	0.62	1.00					
EXP	0.69	0.68	1.00				
SAT	0.71	0.64	0.72	1.00			
LOY	0.65	0.68	0.70	0.80	1.00		
QUAL	0.68	0.65	0.74	0.84	0.77	1.00	
PERF	0.00	0.00	0.00	0.00	0.00	0	1.00

Upon initial examination, the model displays from low standardized loading on loyalty (two variables), satisfaction, and expectations. The four items were deleted and the resulting model displays the following fit statistics: chi-squared value 524.6, df=209, CFI=.960, RMSEA=.083, NFI=.936.

The t-value for each loading estimate is significant ($p<.001$). One indication of construct validity is whether or not the standardized estimates exceed a minimum threshold of .5 (Hair et al. 2010). All standard loadings exceed the .5 threshold. A second measure of the construct validity is whether or not the variance extracted exceeds .5. All seven of the constructs variance extracted estimates exceed .7. In addition, the construct reliability estimates all exceed the .7 threshold.

Discriminant validity is used to assess whether the construct shares more variance with itself versus other constructs. All constructs of the average variance extracted statistics exceed the ϕ squared matrix values. No construct showed a significant relationship with the performance construct. Thus, further analysis positions loyalty as the key outcome construct rather than the performance construct. Table 65 shows the new analysis (including loadings, reliabilities) and Table 64 shows the AVE, Phi-matrix, and Phi-squared matrix.

Table 65. Airline Multi-Item CFA after Item Removal

	HV	UV	EXP	SAT	LOYAL	QUAL
HV1	0.92					
HV2	0.92					
HV3	0.93					
HV4	0.92					
HV5	0.90					
HV6	0.86					
HV7	0.87					
UV1		0.83				
UV2		0.93				
UV3		0.87				
EXP1			0.91			
EXP3			0.91			
SAT1				0.94		
SAT2				0.95		
SAT3				0.89		
LOY1					0.87	
LOY3					0.96	
LOY5					0.96	
QUAL1						0.96
QUAL2						0.97
QUAL3						0.94
Variance Extracted	81.36%	77.03%	83.54%	86.00%	86.42%	91.40%
Construct Reliability	0.97	0.91	0.91	0.95	0.95	0.97
Φ matrix						
HV	1.00					
UV	0.79	1.00				
EXP	0.83	0.82	1.00			
SAT	0.84	0.80	0.85	1.00		
LOY	0.81	0.82	0.84	0.89	1.00	
QUAL	0.82	0.81	0.86	0.92	0.88	1.00

Table 65 (Continued)

Φ matrix SQUARED						
HV	1.00					
UV	0.62	1.00				
EXP	0.69	0.68	1.00			
SAT	0.71	0.64	0.72	1.00		
LOY	0.65	0.68	0.70	0.80	1.00	
QUAL	0.68	0.65	0.74	0.84	0.77	1.00

The fit statistics for the model without the performance construct are next. The model has a chi-squared value of 481, with 174 degrees of freedom (p=.001). The CFI is .953, the RMSE=.09, and the NFI is .928. The fit worsened after deleting the two-item performance construct, but the model still possesses adequate qualities to continue. The decision to delete the market performance construct was because neither indicator were significant, and a cleaner portrayal of the loyalty construct could take place.

The t-value for each loading estimate is significant (p<.001). One indication of construct validity is whether or not the standardized estimates exceed a minimum threshold of .5 (Hair et al. 2010). All standard loadings do exceed the .5 threshold. A second measure of the construct validity is whether or not the variance extracted exceeds .5. All seven of the constructs variance extracted estimates exceed .5. In addition, the construct reliability estimates all exceed the .7 threshold.

Discriminant validity is used to assess whether the construct shares more variance with itself versus other constructs. All constructs of the average variance extracted statistics exceed the ϕ squared matrix values.

Airline Multiple Item Survey Section:
The Structural Model

The first structural model will assess the model with overall value as a mediator to satisfaction. This model is in line with the Clause Fornell satisfaction index. The competing model test compares Figure 12 and Figure 13 based on fit and parsimony. The model fit statistics are next. The chi-squared and degrees of freedom for this model is 669.50 with 202 degrees of freedom (p=.001). The CFI is .93, the RMSEA is .10, and the NFI is .91. The significance levels and loadings of the construct indicators remains unchanged, which provides some indication of the structural model fit. The chi-squared difference between the two models is 188.50 with 28 degrees of freedom (p=.001). Table 66 shows the standardized regression coefficients, the standard error, and the p value for each of the hypothesized relationships in the above model. For example, the first relationship is from satisfaction expectations to utilitarian value.

Table 66. Airline Data SEM Parameter Estimates

Gamma		SatisfactionExpectations
Exp		..
		..
		..
Uv		0.868
		0.051
		0.001
Hv		0.878
		0.062
		0.001
Qual		0.903
		0.074
		0.001

Table 66 (Continued)

Beta		Uv	Hv	Qual
Uv		...	...	...
		...	...	...
		...	...	...
		.		
Hv		...	...	...
		...	...	...
		...	...	...
Qual		...	...	...
		...	...	...
		...	...	...
Value		0.11	n.s.	0.74
		1.5	n.s.	0.87
		0.08	n.s.	0.001

Beta		Value
Value		...
		...
		...
Satisfaction		0.919
		0.035
		0.001

Beta	Satisfaction
Loyalty	0.892
	0.003
	0.001

A picture of the path model with the standardized regression coefficients along each path is shown below. The path from satisfaction to performance and the path from

loyalty to performance are insignificant. The remainder of the paths are statistically significant. Figure 26 displays the revised model.

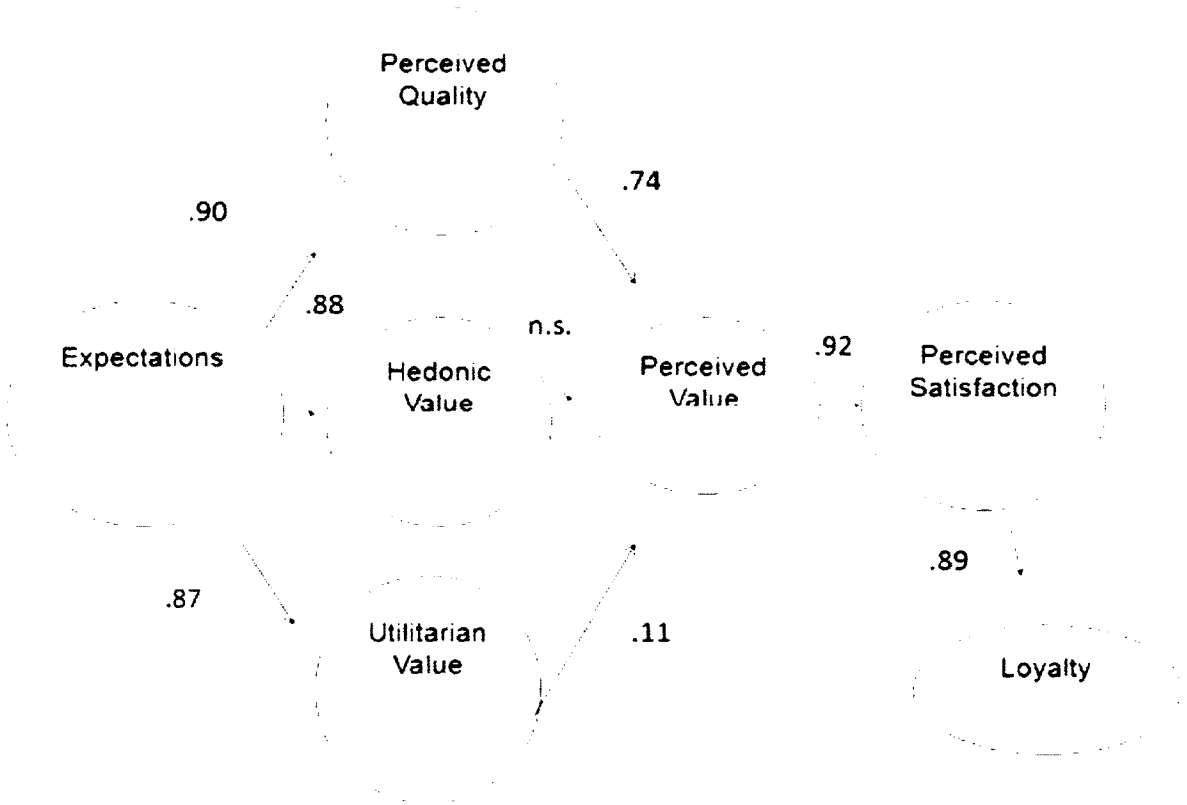

Figure 26. Revised Airline SEM Competing Model Test

Of the three beta relationships, expectations explains the most variance with perceived quality, then hedonic value, and then utilitarian value. Quality most influences overall value received by the customer, then utilitarian value, while hedonic value's relationship with overall value is not significant. The overall value question is strongly related to satisfaction. Finally, since the performance construct was purged from the model, perceived satisfaction relates strongly to loyalty.

Airline Multiple Item Survey
Competing Models Test

A competing models test was conducted to assess whether overall value would add explanatory relevance to the outcome variables of loyalty and firm performance. The competing model test compares the models depicted in Figure 12 against Figure 13.

The model fit statistics will be discussed next. The model depicted in Figure 27 has a chi-squared value of 554.50 with 198 degrees of freedom (p=.001). The model has a CFI of .95, RMSEA of .090, and a NFI of .92. The chi-square difference between the two models is 115 with 4 degrees of freedom (p=.001) which indicates that Figure 27 fits better than does Figure 26. The CFI (Figure 26=.932, Figure 27=.948), RMSEA (Figure 26=.103, Figure 27=.090), and the NFI (Figure 26=.906, Figure 27=.922) all indicate that Figure 27 has an improvement in fit over Figure 26.

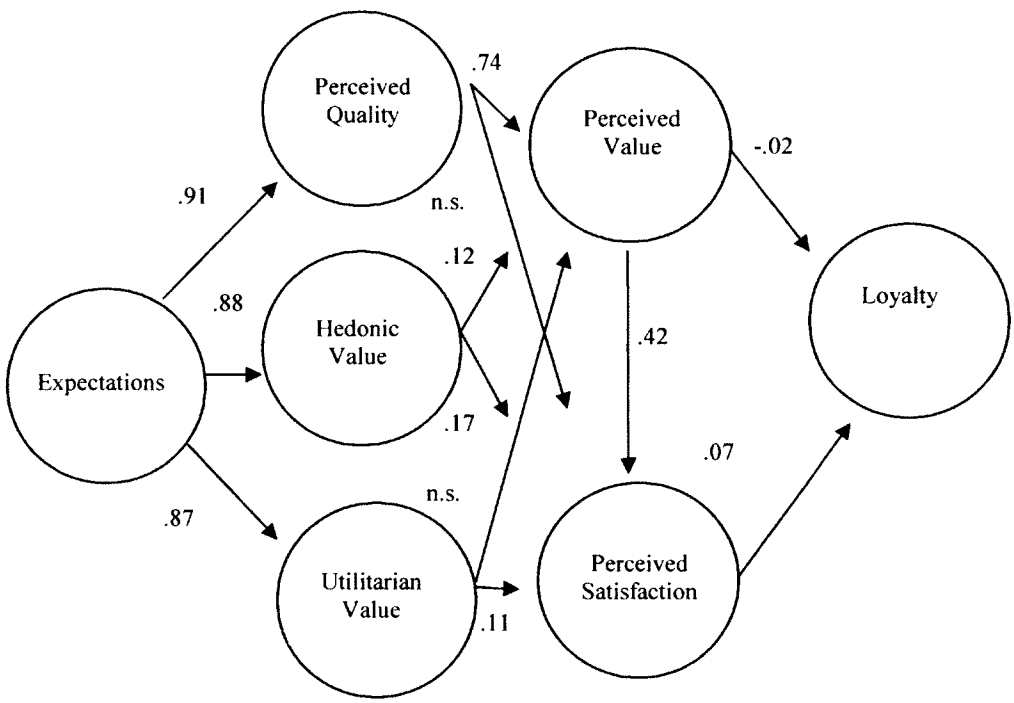

Figure 27. Airline SEM Competing Model Test Two

The airline results paint an unexpected picture. Expectations have the strongest relationship with perceived quality, then hedonic value, and then utilitarian value. Perceived value is most influenced by perceived quality alone as the relationship to overall value and both utilitarian value and hedonic value are not significant. Satisfaction is most influenced by perceived quality, and then hedonic value, and then utilitarian value. Perceived value appears to have the strongest influence on perceived satisfaction. Finally, perceived value has a weak negative relationship with loyalty while perceived satisfaction has a weak positive relationship with loyalty.

In much the same light as the retail multi-item analysis, the airline multi-item analysis does not provide support for research question three, which presents overall value as a critical mediator in the causal chain. While the analysis does provide improved fit, the weak results adds very little toward explaining loyalty.

CHAPTER 5

DISCUSSION OF FINDINGS, LIMITATIONS, AND FUTURE RESEARCH

Research Questions

This study addresses three research questions as presented in Chapter 3. The analysis provides insight into research questions one and two but fails to support the assertion that value should be a mediator, alongside satisfaction, in the causal chain. The research questions are presented again below:

- Research question one: What is the relative diagnosticity of consumer value perceptions from interactions with the firm and superior firm financial performance?
- Research question two: What value dimension is most predictive of firm performance?

Does satisfaction/dissatisfaction or customer value better explain self-report customer loyalty?

RQ1: Value and Performance

Research question one is examined via path analysis involving single item ratings of value and financial performance statistics for each company. In this way, the methodology is much like that used for the ACSI. Specifically, how does the use of an

overall value perception compare to asking customers about their satisfaction in explaining firm performance? This research relates an overall value question and the traditional satisfaction construct with EPS, ROA, and loyalty for both retailers and airlines. The results show that satisfaction and loyalty are highly related in all contexts. Thus, a correction for multicollinearity allowed a more valid comparison of the effects. The relationship between perceived overall value provide by a retailer and both EPS and ROA is stronger than the relationship between satisfaction and EPS or ROA. In the airline context, the same relationship was not found. In fact, a negative relationship between the overall value question and loyalty was found while a positive relationship between satisfaction and loyalty surfaced in the airline context. Both of the path analyses for the multi-item measures show a clear and strong relationship between satisfaction and loyalty. Thus, overall value does provide insight after controlling for multicollinearity.

RQ2: UV, HV and Performance

Research question two is assessed via the experimental results. The experimental results for retailers, which can be characterized as a high participation context, shows that utilitarian value has the strongest effect on both loyalty and quality when compared against hedonic value and expectations. Thus, the ability for customers to effectively complete a shopping task proved most critical to the customer's perception of firm quality and toward the customer's loyalty rating. The two-way interaction between utilitarian value and expectations provides an intriguing opportunity for retailers to enhance quality perceptions in the customer's mind by providing setting a customer's value expectations and then providing utilitarian shopping value. The next paragraph elaborates on the insight of the two-way interaction.

Customers develop expectations over time, and they have basic needs which must be met by a store if they are to perceive that store as being a high quality institution. When the basic needs are met, such a store having the right product at the right price and providing a store layout that facilities an efficient shopping experience, the customer begins to see the store as a high quality store. This finding has ramifications for retailers who would like to use quality to lead to loyalty. In this case, promotional efforts can help to set the customer's expectation levels, thus enabling a store to meet those expectations and thus be perceived by the customer as being a high quality store.

The airline context provides a different perspective on what leads customers to form opinions of quality and loyalty. In this case, customers seem to expect more from airlines than meeting the basic transportation needs. This is evidenced by the strong hedonic value effects on both loyalty and quality. The basic dimensions of accomplishing a flight include timeliness and a vehicle to transport the customer from point a to point b. Here, we see that airlines have an opportunity to differentiate themselves by creating the perception in the customer's mind of going above and beyond the basic travel experience and providing elements of hedonic value, including providing a pleasant environment, technology advancements, and comfort. In doing so, they can enhance customer perceptions of quality and loyalty.

While the main effect of expectation was significant in both experimental contexts, the expectation effect was dwarfed by both the utilitarian and hedonic value dimensions. These results suggest that simply asking questions about whether or not expectations were met to customers is not enough. The hedonic and utilitarian

dimensions provide diagnosticity to service providers over and beyond that of expectations.

The airline experiment also provided insight into how the three experimental variables work together. Airline service providers have the ability to use expectations, in conjunction with providing either hedonic value or utilitarian value to customers, to attain elevated quality and loyalty outcomes. In this case, setting expectations and then meeting them allows the airline service provider the ability to attain higher perceptions of both quality and loyalty.

Thus, the ability of a firm to "get by" simply by providing the basic utilitarian value of accomplishing a task will vary depending on the circumstances. Perhaps due to demands of the time-crunched society in which we live, the busy American shopper will forgo the shopping luxuries in favor of the ability to accomplish a task and move on to other daily activities, such as family or work responsibilities. In a lower participation context, and perhaps a more captive context such as an airline trip, the customer expects the company to accomplish the basic task of getting the customer to a destination and will reward the airline who can do so while providing the customer elevated levels of hedonic value.

In addition to the experiments, research question two is also addressed in the retail context using the general linear model to control for possible multicollinearity. In this case the results differ from the experimental results. Hedonic value and earnings per share were positively and significantly related to each other. EPS is thought to be a good measure of a firm's profitability and stock price and thus the findings that hedonic value relate to this measure more so than do the other variables (UV, satisfaction, and overall

value) is important to the research findings. Additionally, the relationship between ROA and hedonic value is stronger than the relationship between ROA and satisfaction. Thus, in the retail context, customer's expect to be able to find what they need, however, a retailer who can provide an entertaining environment which leads the customer to feel an escape from the everyday world can result in higher total profits with respect to total assets.

RQ3: Comparing Models

Research question three, which presents value as a mediator alongside satisfaction, is not supported in this research. The competing models test, while providing a better fit relative to parsimony, adds little diagnostic value to explaining loyalty and performance.

The findings from this research relate to the larger theoretical net in which businesses operate. The expectancy-disconfirmation model (Oliver 1980; Fornell 1992) has come under fire for being inadequate to help companies fully understand what their customers want and need or to help a company generate above average returns (Fredrick 2003; Balabanis, Reynolds, and Simintiras 2006; Dahlsten 2003). Recently, Vargo and Lusch (2006) published seminal work regarding value-in-use. Value-in-use, defined as the operant resources a firm can provide to a target market, has been unclear as far as how to fully operationalize the construct and what exactly value-in-use means.

This research operationalized value-in-use in two different ways to assess the relative value of the different value-in-use formats. The two methods used here assess value-in-use from the Zeithaml (1998) perspective of get versus give and Babin et al. (1994) and Holbrook (1994) perspectives of hedonic value and utilitarian value.

Specifically, assessment of an overall value question as proposed by Brodie, Wittome, and Brush (2009) served to test the Zeithaml (1998) perspective of value as an overall get versus give trade-off. The hedonic and utilitarian value components were operationalized along the Babin et al. (1994) perspective.

The Babin et al. (1994) perspective of hedonic and utilitarian value appears to have a strong relationship with loyalty and quality that customers receive from an interaction with a firm. The hedonic and utilitarian dimensions are operant resources that a firm can provide to customers (Hunt and Morgan 1996). From the operant resources perspective, firms in different industries can assess the value of each dimension from the customer's point of view to determine where a firm should invest scarce resources. Industries that focus on serving time-starved customers, such as the retail customer, would be best served by providing excellent utilitarian benefits time and time again. For industries that are expected to meet more than basic needs, such as airlines, companies that go the extra mile beyond providing just utilitarian benefits will tend to excel.

The Oliver (1980) and Fornell (1992) research dealing with loyalty and quality has strong standing in marketing literature. This work shows a strong relationship between satisfaction and loyalty over and above the overall value question. The use of a single item measure to operationalize such a diverse concept as value may not be the most valid approach to operationalizing value. Rather, the two dimensional approach using hedonic value and utilitarian value may be better, or perhaps using a multi-item scale to assess the various value components. One of the reasons that Dalsten (2003) cited for the poor performance of satisfaction is the lack of descriptiveness as to why the customer was satisfied or not satisfied. The single item value measure appears to suffer

from the same drawback in that the measure is too broad for customers to truly comprehend. We know that customers have many wants that correspond to a variety of needs, and the use of a catch-all measure, such as the single value item question, may put the customer in a position in which a valid answer cannot be conceived.

Expectations alone in this research do not appear to be diagnostic. However, expectation confirmation, as a proxy for expectations/disconfirmation, do comprise the lion's share of the make-up of quality perceptions. Firm quality is a learned attribute that arises over repeated interactions with a firm. The expectation of quality seems to be something that a customer is capable of learning through interactions. The weaker relationship between hedonic and utilitarian values and expectations could be related to the possibility that one customer's encounter with a service provider could be drastically different than the following service encounter. Perhaps the inability of customers to gauge their ability to efficiently get through a line and have an airplane waiting at the gate is a reason that expectations and utilitarian value are not as strongly related as expectations and quality. Further, quality appears as more abstract in the customer's mind than either utilitarian value or hedonic value. A customer can assess whether or not a plane was on time, if a store's check-out is efficient, or if the experience was fun or a bore, but the quality perceptions are a higher order analysis (Zeithaml 1999). Thus, the hedonic and utilitarian dimensions are more actionable at a ground floor level than are dimensions of quality. Hedonic value and utilitarian value provide companies an actionable employee level strategy to guide the employee's interaction with the customer.

Finally, the competing models test provides support for the Claus-Fornell satisfaction model with overall value relating to loyalty through satisfaction. The addition

of a single overall value question did not add to the predictive model as expected. While the addition of overall value came to light through the principal component analysis, the multi-item analysis to test research question three did not yield the expected results.

Practical Value to Companies

Practical advice can be offered to firms following this research stream. First, the nature of what customers need and want drive what the customer demands from the firm. In the retail context, utilitarian value was critical to loyalty but hedonic value related to EPS and ROA. The interplay between expectations and hedonic value and utilitarian value says that a firm can be successful by providing utilitarian value if the customer is conditioned to expect the results. A retailer can be very successful by providing both types of value.

The congruency as to what the customer expects and what the customer gets appeared in this research. Customers who expected and received different value propositions were loyal and perceived the firm as high quality. The path analysis shows that quality and expectations are highly related, as customers can have an abstract perception of quality while hedonic and utilitarian value are more difficult to predict. Companies that can capture hedonic and utilitarian value will be in a position to influence loyalty more directly than retailers are currently achieving through quality. This is shown by the interplay of the experiment with the retail path analysis results. The extent to which a retailer is able to be successful with this strategy depends on whether utilitarian or hedonic value is an operant resource that a firm can consistently provide.

The results also show that the more detail about customers' wants and needs a firm can attain will lead to more diagnostic and actionable information. The failure of the

overall value question shows that customers cannot break down everything received in a service experience in a valid format through the use of a single item. The interplay between quality, utilitarian value, and hedonic value work together to influence satisfaction. The quality perception is a key driver of satisfaction but is not as actionable at a work-bench level as the hedonic and utilitarian dimensions.

Synopsis of Findings Relative to Contributions

Chapter 1 presents specific contributions which pertain to the current research. Specifically, chapter one presents the contributions in terms of academic and practical contributions. The academic contributions relate to the many facets of value in use and the extent to which value in use is a critical driver of key marketing outcome variables. The research review identified three main ways in which value in use is operationalized. The first approach brings value to light as a get versus give post decision making phenomenon where the customer assess what was attainted from a purchase situation relative to the sacrifices the customer surrenders. In consumer behavior perspective, the get versus give perspective is often thought to be closely related to the satisfaction construct, as well as the extent to which cognitive dissonance would arise, therefore creating a drive to reevaluate the decision-making process or to become a loyal customer (Babin and Harris 2010).

In addition to the get versus give operationalization of value, the contributions section identified hedonic value and utilitarian value as another way to operationalize value in use. In this sense, service providers can provide a pleasing shopping experience that provides pleasure to the potential customer. The utilitarian approach views the service as a means to an end. In this case, a retail service provider would be able to

provide utilitarian operant resource to the customer by providing a shopping experience that allows the customer to find the sought-after items, quickly check out, and get on about the customer's everyday life. Thus, this research seeks to explore and unify the different value in use approaches as each relate occur in the consumption process.

The second academic contribution is exploring the extent to which the context drives differences towards the customer's assessment of value. A retail context and an airline context provide insight into this contribution. The final academic contribution assess the extent to which the research method allows for similarities and uncovers differences with respect to value in use and the theoretical net.

The interplay among the value in use components will be discussed first. The single-item survey provides an opportunity to address the value in use components. In both the retail and airline contexts the relationship between utilitarian value and overall value is strong, more so relative to hedonic value in the retail context. Overall value does have a weak but significant relationship to market performance in the path analysis. A slightly different picture emerges when multicollinearity is controlled. In the retail case, the power of hedonic value and overall value emerge as the former relates to EPS and the later relates to ROI. This finding is isolated to the retail case. In the multi-item survey, quality emerges as the dominant driver of overall value. The explanatory chain runs from quality, to overall value, to satisfaction, to loyalty, to market performance. Thus, evidence is found for the power of the overall value assessment in terms of get versus give after the adjustment for multicollinearity, and in the relationship to a satisfaction assessment.

The second operationalization of value, in the form of hedonic value and utilitarian value is next. The strength of utilitarian and hedonic value emerge in the experiment, with retail for the former and airline for the later. Additional evidence for the strength of utilitarian value is in the path analysis where the relationship between utilitarian value and overall value formation is strong. This is seen for both single-item survey contexts. The findings which correlate hedonic value with EPS and ROA is theoretically appealing given the tradition model which places the hedonic and utilitarian value components relating to overall value and satisfaction. The hedonic value relationship with both EPS and ROA suggest that a retailer can influence these market variables with a pleasing experience as an operant resource. The loyalty relationship in the retail context is driven by utilitarian value, particularly in the experiment, and satisfaction is the dominant loyalty driver in both the single item and multi item analysis.

The contextual information does shed light on key differences with respect to airlines being low participation and retailers being high participation. Some similarities emerge. For instance, the utilitarian value component drives overall value in the retail experiment, however, the hedonic value is either the driver (experiment), or equal in strength (single-item) relative to utilitarian value. Thus, the industry in which the service provider competes plays a role in the operant resources, which the customer ought to get via a service encounter in the form of an operant resource. In the low participation context, i.e. the airline, a mix of hedonic and utilitarian value prompts loyalty and quality perceptions. In the higher participation context, i.e. the retailer, the utilitarian value component emerges in the experiment and the single item analysis as a strong driver of value, loyalty, and quality. However, in the retail context, when the hedonic value and

utilitarian value components are positioned against EPS and ROA, the value of hedonic value emerges. Thus, the mix of operant resources that maximizes the customer's loyalty and quality perceptions changes based on the service context. However, the extent evidence of this research suggest that a service firm that provides both hedonic and utilitarian value will be in a better position with respect to loyalty, quality perceptions, and market performance relative to a firm that provides a high level of one or the other.

Finally, the experimental sections versus the survey sections provide opportunities to assess a causal design versus a descriptive design. The two sets of results that emerge as most congruent are the single item survey and the experiment, with each providing intriguing finding. Both designs found that utilitarian and hedonic value are critical components to loyalty (experiment), quality (experiment), EPS (single item survey: retail), and EPS (single item survey: retail).

The practical contributions assess the extent to which providing and measure success based on satisfaction is enough. The disconnect between customer satisfaction and outcome variables is well documented (see Woodruff 1997, Fredrick 2003). This research finds tremendous amount of practical value, is success relates to EPS and ROA, by providing customers an overall experience in which they value (overall value), and by investing resources into providing customers with a pleasurable experience. As seen in the multi-item survey, quality, as it relates to overall value, is a dominant aspect of the overall value judgment.

Satisfaction does appear to be a good predictor of customer loyalty based on both descriptive techniques in both contexts. Much in the same vain as Fredrick 2003, the satisfaction is driven by quality (multi-item survey), utilitarian value to overall value

(short form path analysis), or hedonic value or utilitarian value based on the experimental scenarios. Thus, in the causal chain, satisfaction is critical toward developing loyalty, however, simply knowing whether a customer is satisfied does not tell the entire story. Understanding specifics about the service experience such as entertainment, quality perceptions, and ease of purchase, can provide managers information that is more detailed and a better groundwork to improve loyalty, quality perceptions, and thus market performance, than simply knowing if customers are satisfied.

Operant resources, or doing things for the customer, are an investment. This research illustrates that investments in activities that customer enjoy and that help the customer achieve an end can pay dividends. Investments in maximizing what the customer gets versus what the customer give up go a long way toward achieving satisfied, loyal customers.

Limitations and Future Research

The limitations and future research opportunities will be discussed next. This work attempted to assess the relationship between value-in-use and performance metrics such as EPS and ROA. While limited evidence of a relationship between EPS and ROA existed (in the retail context), the limited sample size for the airline sample provided a key limitation. Also, the decision to analyze the results at the retail and airline level lead to a small sample size for the number of retailers and airlines, which limited the power to find significant results. Future research could increase the sample size by including more firms and industries in the analysis. Future research could add financial firms included in the American Consumer Satisfaction Index (ACSI), or mobile phone providers included in the index. This would allow a larger sample size and more power to find a correlation

between the intended constructs and key outcome variables. Due to financial constraints, this work relied on loyalty as the dependent variable for the airline industry when the analysis lacked power to find significant results.

A second limitation pertains to the use of expectations alone as a measure of customer satisfaction/dissatisfaction (Oliver 1980). Perhaps future research could address levels of customer satisfaction and meeting customers' expectations, and then comparing results for a focal firm to an industry leader. This would entail another set of manipulations beyond the scope of this research.

A third limitation in this research is treating the financial measures at an individual level rather than a multi-level approach. Given the weak significance found with the individual level approach, a multi-level analysis was not attempted for this research. Future research could increase the sample size to a level more appropriate for a multi-level analysis.

A final limitation pertains to the confounding effects concerning the experimental research. Ideally no non-corresponding effects would be seen regarding a manipulation check and an actual manipulation. However, in this case, two non-corresponding effects are seen in the retail experiment and three non-corresponding effects are seen in the airline experiment. Given the powerful effects of the utilitarian value manipulation and the hedonic value manipulation, along with the significant effect of the satisfaction manipulation in the corresponding case, the analysis proceeded in light of the significant non-corresponding effects. An alternative way to address the non-corresponding effect is to delete subjects who answer the manipulation check incorrectly. However, deleting the subjects who answered the manipulation check incorrectly is less conservative than the

approach taken here. Thus, to the conservative approach was taken so as not to overstate the size of any experimental effects. Future research must ensure that extensive pretests are conducted to eliminate any possible confounds prior to conducting the experiment.

Given the critical nature of quality in the formation of satisfaction, as seen in the various path analyses, future research should examine a concrete approach for manipulating quality. Perhaps a future experiment could manipulate the aspects of quality and compare them with hedonic and utilitarian value to assess the indicators of each.

The negative relationship between the overall value question and loyalty is complex and does merit future research. The weak negative relationship was found in the airline path analysis. This indicates that customer behavior is irrational. Perhaps irrationality when making choices, or when forming loyalty intentions, drives customers to be more loyal to companies that are hurtful to the customer. Perhaps expectations, a lack of options, or years of poor treatment has made customers grow accustomed to receiving poor service. This could provide an interesting area for future research.

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APPENDIX A

DEFINITIONS OF CONSTRUCTS AND MEASURES

Definitions of Constructs and Measures

Definition: *Predicted value* comes from the attributes desired and the performance desired (Woodruff 1997). This comes prior to using an operant resource.
Overall expectation of quality (prepurchase)
Expectation regarding customization, or how well the product fits the customer's personal requirements (prepurchase)
Expectations regarding reliability, or how often things would go wrong (prepurchase)
Fornell, Johnson, Anderson, Cha, and Bryant (1996)

Definition: *Hedonic value* represents the emotions and positive feelings generated from the shopping task (Babin et al. 1994).
This shopping trip was truly a joy.
I continued to shop, not because I had to, but because I wanted to.
This shopping trip truly felt like an escape.
Compared to other things I could have done, the time spent shopping was truly enjoyable.
I enjoyed being immersed in exciting new products.
I enjoyed this shopping trip for its own sake, not just for the items I may have purchased.
I had a good time because I was able to act on the "spur of the moment."
During the trip, I felt the excitement of the hunt.
While shopping, I was able to forget my problems.
While shopping, I felt a sense of adventure.
This shopping trip was not a very nice time out.

Definition: *Utilitarian value* represents the ability to complete efficiently the shopping task (Babin et al. 1994).
I accomplished just what I wanted to on this shopping trip.
I couldn't buy what I really needed.
While shopping, I found just the item (s) I was looking for.
I was disappointed because I had to go to another store (s) to complete my shopping.

Definition: *The List of Values* represent an individual difference characteristic scale designed to categorize people into groups based on characteristics related to family, socioeconomics, and consumption (Kahle and Kennedy 1989). Respondents rate nine items anchored at very unimportant/very important. The nine items are: Sense of Belonging, Excitement, Warm Relationships with Others, Self-Fulfillment, Being Well-Respected, fun and Enjoyment of Life, Security, Self-Respect, A Sense of Accomplishment

Now Re-Read the above and circle the MOST important value to your life

Definition: *Overall achievement of the List of Values* represents to what extent the shopping trip and product usage (or extent to which experience with retailer) brought the customer a higher score based on their most important personal values.

To what extent did your experience at _____bring you more near to your most critical value? Could also use an insert function and insert their answer above into the end

of the question. Thus, to what extent did the entire experience at _____bring you more near to achieving _____.

***Definition**: Perceived Quality* is the customer's judgments about a product's overall excellence/superiority (Zeithaml 1988).
Overall Service Quality
"Poor" 1 2 3 4 5 6 7 8 9 "Excellent"
"Inferior" 1 2 3 4 5 6 7 8 9 "Superior"
"Low Standards" 1 2 3 4 5 6 7 8 9 "High Standards"
(Cronin, Brady, and Hult 2000)

***Definition**: Perceived value* represents the overall get versus give attained through a shopping and consumption experience (Zeithaml 1988). The four forms are (1)Low price (2) What I want-the benefits (3) Quality for price (4) Get for give-ratio of attributes weighted by evaluations divided by price weighted by evaluations.
Single item measure: Overall, thinking about the service features in comparison to the costs associated with flying this airline, how would you rate your overall experience with this airline? (Brodie, Wittome, and Brush 2009)

***Definition**: Perceived satisfaction* is an overall evaluation based on the total purchase and consumption experience with a good or service over time (Anderson, Fornell, and Lehmann 1994).
Overall satisfaction
Expectancy disconfirmation (performance that falls short or exceeds expectations)
Performance versus the customer's ideal product or service in the category
(Fornell, Johnson, Anderson, Cha, and Bryant 1996)

***Definition**: Customer loyalty* represents the respondent's likelihood of repurchase from the store in the future at the current price level (Fornell, Johnson, Anderson, Cha, and Bryant 1996).
Loyalty intent
Next time I will buy x again
If I lose x, I will buy it again
If I got any x for free, I would choose my x
I recommend x to others
I talk to people about my x
(Johnson, Herrmann, and Huber 2006)

Firm performance measures typically used include a combination return on assets (ROA) and return on equity (ROE).

APPENDIX B

SCENARIO MANIPULATIONS

Scenario Manipulations

Met Expectations, High Utilitarian Value, High Hedonic Value

Image the scenario below represents a recent experience you had with an airline. Try to imagine the following event happened to you. Imagine that you had to fly to Chicago for an important event. Here are a few things that happened during this time:

Overall, considering everything about the experience, you would have to say that the airline's performance matched your expectation.

Beyond this, you had several thoughts including remembering the way the other passengers and employees looked. When you thought specifically about what you got out of the time and money spent on this experience, you remembered the following:

The waiting area was pleasant and included some entertaining video presentations.

The airplane was at the gate when you arrived to the terminal. The boarding went smoothly and the flight left on time. As a result, you arrived a little early and easily arrived in time to meet your first obligation.

On board, the flight attendants were very courteous and cracked corny jokes. The plane was clean and comfortable and included an individual entertainment system.

In summary, when thinking about the time and money you spent, you think:

Did the airline meet your expectations? Yes

Was I able to easily accomplish the traveling task? Yes

Was the flight rewarding based on being enjoyable or an escape from real life? Yes

Now answer the following set of questions based on what you just finished reading:

Met Expectations, Low Utilitarian Value, High Hedonic Value

Overall, considering everything about the experience, you would have to say that the airline's performance matched your expectation.

Beyond this, you had several thoughts including remembering the way the other passengers and employees looked. When you thought specifically about what you got out of the time and money spent on this experience, you remembered the following:

The waiting area was pleasant and included some entertaining video presentations.

The airplane was not at the gate when you arrived in the waiting area. The boarding took too long and the flight left late. As a result, you arrived late and despite rushing through traffic, you missed your first obligation.

On board, the flight attendants were very courteous and cracked corny jokes. The plane was clean and comfortable and included an individual entertainment system.

Met Expectations, High Utilitarian Value, Low Hedonic Value

Overall, considering everything about the experience, you would have to say that the airline's performance matched your expectation.

Beyond this, you had several thoughts including remembering the way the other passengers and employees looked. When you thought specifically about what you got out of the time and money spent on this experience, you remembered the following:

The waiting area was too crowded and the video displays did not work.

The airplane was at the gate when you arrived to the terminal. The boarding went smoothly and the flight left on time. As a result, you arrived a little early and easily arrived in time to meet your first obligation.

On board, the flight attendants were less than courteous and cracked corny jokes. The plane smelled bad, the seats were uncomfortable and there was no individual entertainment system.

Met Expectations, Low Utilitarian Value, Low Hedonic Value

Overall, considering everything about the experience, you would have to say that the airline's performance matched your expectation.

Beyond this, you had several thoughts including remembering the way the other passengers and employees looked. When you thought specifically about what you got out of the time and money spent on this experience, you remembered the following:

The waiting area was too crowded and the video displays did not work.

The airplane was not at the gate when you arrived in the waiting area. The boarding took too long and the flight left late. As a result, you arrived late and despite rushing through traffic, you missed your first obligation.

On board, the flight attendants were less than courteous and cracked corny jokes. The plane smelled bad, the seats were uncomfortable and there was no individual entertainment system.

Expectations not met, High Utilitarian Value, High Hedonic Value

Overall, considering everything about the experience, you would have to say that the airline's performance fell below your expectation.

Beyond this, you had several thoughts including remembering the way the other passengers and employees looked. When you thought specifically about what you got out of the time and money spent on this experience, you remembered the following:

The waiting area was pleasant and included some entertaining video presentations.

The airplane was at the gate when you arrived to the terminal. The boarding went smoothly and the flight left on time. As a result, you arrived a little early and easily arrived in time to meet your first obligation.

On board, the flight attendants were very courteous and cracked corny jokes. The plane was clean and comfortable and included an individual entertainment system.

Expectations not met, High Utilitarian Value, Low Hedonic Value

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On board, the flight attendants were less than courteous and cracked corny jokes. The plane smelled bad, the seats were uncomfortable and there was no individual entertainment system.

Scenario B

Scenario B, the retail scenarios are next. The first context presents the entire scenario available to subjects. In introduction lets the respondent know the purpose of the shopping trip. Then the subjects see the manipulations. At the end of the scenario the subjects see a checklist which sums up the service experience. The first context below presents the introduction, the manipulations, and the checklist. Subsequent scenarios only present the manipulations.

Context B: Retail Scenario

High Utilitarian Value, High Hedonic Value, Met Expectations

Picture yourself in the situation below. The situation involves a 45 minute visit to a store where you intended to buy a few things for your place. As you head out to the parking lot following the experience, you think about a few things that happened during this time:

Overall, considering everything about the experience, you would have to say that the retailer's performance matched your expectation.

Beyond this, you had several thoughts including remembering the way the other shoppers and employees looked. When you thought specifically about what you got out of the time and money spent during the experience, you remembered the following:

The atmosphere was both upbeat and fun, and the shopping experience offered you a way to briefly escape from everyday problems.

The layout of the store was such that you could easily navigate through the store, and you were able to find the items on your list. You ended up buying the items on your list. The checkout didn't take long at all.

In summary, when thinking about the time and money you spent, you think:

-Did the retailer meet your expectations? Yes

-Was I able to easily find and purchase the items on my list? Yes

-Was the shopping trip rewarding based on being enjoyable or an escape from real life? Yes

Now answer the following set of questions based on what you just finished reading:

High Utilitarian Value, High Hedonic Value, Expectations not met

Overall, considering everything about the experience, you would have to say that the retailer's performance fell below your expectation.

Beyond this, you had several thoughts including remembering the way the other shoppers and employees looked. When you thought specifically about what you got out of the time and money spent during the experience, you remembered the following:

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The layout of the store was such that you could easily navigate through the store, and you were able to find the items on your list. You ended up buying the items on your list. The checkout didn't take long at all.

High Utilitarian Value, Low Hedonic Value, Met Expectations

Overall, considering everything about the experience, you would have to say that the retailer's performance matched your expectation.

Beyond this, you had several thoughts including remembering the way the other shoppers and employees looked. When you thought specifically about what you got out of the time and money spent during the experience, you remembered the following:

The atmosphere was hectic and not a lot of fun. The experience was just one more thing to do in a busy day.

The layout of the store was such that you could easily navigate through the store, and you were able to find the items on your list. You ended up buying the items on your list. The checkout didn't take long at all.

Low Utilitarian Value, High Hedonic Value, Met Expectations

Overall, considering everything about the experience, you would have to say that the retailer's performance matched your expectation.

Beyond this, you had several thoughts including remembering the way the other shoppers and employees looked. When you thought specifically about what you got out of the time and money spent during the experience, you remembered the following:

The atmosphere was both upbeat and fun, and the shopping experience offered you a way to briefly escape from everyday problems.

The layout of the store was such that you had difficulty getting from place-to-place within the store and you had difficulty finding things. You ended up not purchasing several items on your list. The checkout took a long time

High Utilitarian Value, Low Hedonic Value, Expectations not met

Overall, considering everything about the experience, you would have to say that the retailer's performance fell below your expectation.

Beyond this, you had several thoughts including remembering the way the other shoppers and employees looked. When you thought specifically about what you got out of the time and money spent during the experience, you remembered the following:

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The atmosphere was hectic and not a lot of fun. The experience was just one more thing to do in a busy day.

The layout of the store was such that you had difficulty getting from place-to-place within the store and you had difficulty finding things. You ended up not purchasing several items on your list. The checkout took a long time.

APPENDIX C

HUMAN USE APPROVAL

LOUISIANA TECH
UNIVERSITY
MEMORANDUM

OFFICE OF UNIVERSITY RESEARCH

TO: Mr. Kevin James and Dr. Barry Babin

FROM: Barbara Talbot, University Research

SUBJECT: HUMAN USE COMMITTEE REVIEW

DATE: June 8, 2011

In order to facilitate your project, an EXPEDITED REVIEW has been done for your proposed study entitled:

"Valuing Value: Value in Use and Market Performance"

HUC 874

The proposed study's revised procedures were found to provide reasonable and adequate safeguards against possible risks involving human subjects. The information to be collected may be personal in nature or implication. Therefore, diligent care needs to be taken to protect the privacy of the participants and to assure that the data are kept confidential. Informed consent is a critical part of the research process. The subjects must be informed that their participation is voluntary. It is important that consent materials be presented in a language understandable to every participant. If you have participants in your study whose first language is not English, be sure that informed consent materials are adequately explained or translated. Since your reviewed project appears to do no damage to the participants, the Human Use Committee grants approval of the involvement of human subjects as outlined.

Projects should be renewed annually. ***This approval was finalized on June 8, 2011 and this project will need to receive a continuation review by the IRB if the project, including data analysis, continues beyond June 8, 2012.*** Any discrepancies in procedure or changes that have been made including approved changes should be noted in the review application. Projects involving NIH funds require annual education training to be documented. For more information regarding this, contact the Office of University Research.

You are requested to maintain written records of your procedures, data collected, and subjects involved. These records will need to be available upon request during the conduct of the study and retained by the university for three years after the conclusion of the study. If changes occur in recruiting of subjects, informed consent process or in your research protocol, or if unanticipated problems should arise it is the Researchers responsibility to notify the Office of Research or IRB in writing. The project should be discontinued until modifications can be reviewed and approved.

If you have any questions, please contact Dr. Mary Livingston at 257-4315.