The Value-Expectations Model: A Service Industry Relationship for Targeting Customers

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Abstract

This study builds an equation relating business service expectation options (measured as expectation intention and expectation extension) against three multi-dimensional customer perceived value dimensions (measured as performance, service and satisfaction). The model is suitable for investigation of customer perceived service value under structural equation modeling approaches.

Keywords: customer service, value, satisfaction, performance, expectation, competitiveness

Introduction

Services provided by industries have correlated with customer perceived value and satisfaction [11] and have delivered sources of competitive advantage [22][27]. Traditionally, value has been interpreted as a functional, utilitarian view measured as the net ratio of benefits to costs [21].

Flint, Woodruff and Gardial [5] suggest that value may be better classified as a multi-dimensional construct capturing values, desired values and value judgment. The customer's notion of value is what benefits and sacrifices perceive may exist. Hence, value interprets processes of customer feelings or beliefs regarding the service. Value is relative to what the customer perceives [9][10][15]. From a customer's perspective value is central to core beliefs, desired end-states, or higher order goals [26]. Thus, value may be viewed as a multi-dimensional construct [18][24].

Mattsson [12][13] established three dimensions of value as emotional, practical and logical. The emotional dimension [6][16] builds into a customer satisfaction measure [24] and captures the expectations of the respondent during the experience of service delivery [2]. For example, in the acquiring a service offering the customer needs, brand expectations, product availability, enjoyable shopping experience, and store innovation together stimulate an emotional and satisfying service experience. Another practical dimension relates to the functional service experiences of the business-customer encounter which is captured as service value [1][4]. In services this may be measured as consultation and service received, the knowledge exchanged, and the net perceived value of the exchange processes. The logical dimension is the third value component. It focuses on the rational or transactional components of the service which is captured as performance value [6][16]. For example the quality of service, the reliability of advice and the skills and knowledge of the engaging services business staff contribute to this value dimension. Barnes and Mattsson [1] found all three value dimensions were important. We write this value construct as a function of these three dimensions and display it as Equation 1.

$$Value = fn(performance, service, satisfaction)$$
Equation 1

Hartman [8] defines value as the level of goodness the intention of the existing concept actually delivered. Value resides in the relationship between the amount of goodness (or intention perceived by the customer) and the quantity that is actually perceived to be present (or the extension perceived by the customer) in the measured business service concept. Intention is defined as the goodness the customer perceives to be in the service. Others view this intention as a normative expectation [17][28] which can be conceptualised as the level of service that would be expected from an excellent service provider [7][14] operationalises this normative standard as the wish for a level of performance, whilst Swan and Trawik [23] describe this as the level at which the consumer wants the service to perform.

Mattsson [13] defines extension to be what the customer actually observes in this service, whilst Boulding et al., [3] conceptualises extension as predictive expectations, and defines these as the likely level of service that consumers expect to receive from a given service provider in a given situation.

Boulding et al, [3] suggests extension (or predictive expectations) such as a tourism destination virtual reality pre-travel viewing experience, would be lower than intention (or normative expectations) such as an activity, time and cost comparison of tourism destination mixes. Their finding is consistent with Rust's [20] hierarchical scale of expectations. However extension and intention may be equal when the consumer believes the personal interactions with a service provider are optimal. This construct has been operationalised as expected standard [14], predicted expectations [23], Prakash [19], or the likely performance of a product [25]). Hence, the more net 'goodness' criteria the customer observes to be present, the more value is assigned and vice versa. For example, a customer seeks a cup of coffee and expects the coffee cup to be at least half full. Where the cup is half full the intention is equal to the value expected, and the extension contribution is zero. Where the coffee cup volume exceeds the intention level, the customer's coffee cup value is extended (and the extension contribution is positive). Thus extension can be positive (more than fulfilled) or negative (less than fulfilled). Equation 2 captures this 'Value-Expectations' relationship.

$$Value \ = \ Intention \ + \ Extension$$
Equation 2

Since the above equations are interrelated we combine then to form the Value-Expectations relationship. This relationship is presented as Equation 3.

$$ƒn(performance, service, satisfaction) \ = \ Intention + Extension$$
Equation 3

This Value-Expectations relationship shows the business service expectation constructs of intention and extension are dependant on the customer perceived multi-dimensional value function.

Value-Expectations Model

The Value-Expectations relationship (as shown in Equation 3) may be deployed across a services business or industry to investigate the key customer engagement parameters deemed most likely to deliver future added value to the business model. We operationalize Equation 3 as the 'Value-Expectations Model' relationship as shown in Figure 1.
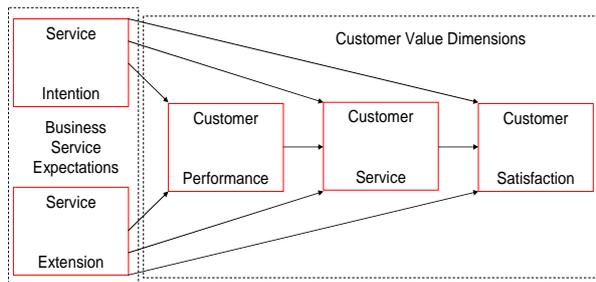
Figure 1: The Value-Expectations Model

Discussion

The Value-Expectations Model links business service expectations as intention or new services initiatives and extension or innovative new services additions with customer value. Customer value is established from the literature as a multi-dimensional construct capturing performance, service and satisfaction. This model offers a suitable approach by which a business may monitor and manipulate its new service initiatives, and so deliver higher perceived net value outcomes to the customer. This model is being investigated by the authors under structural equation modeling to validate the literature supported Value-Expectations relationship.

Conclusion

This research opens a new arc of understanding, especially concerning the offering of new business service options, and of the customer's perceptions regarding the value of these services. Measurement and adjustment of such business service options creates a pathway for the organisation to move its services offerings closer to its customers This research offers new and wide-ranging applications to both research and services industries customer approaches.

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