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# Moderating Effects of Service Guarantee, Service Relationship, and Perceived-risk on Customer Satisfaction

**Kungpo Tao**

*Elizabeth City State University*

## ABSTRACT

Customer satisfaction has been one of the most frequently used terms in marketing. With the benefits of customer satisfaction, service providers can save more costs doing customer retention and advertising. Premium pricing, for example, is also the benefit derived from the service's buffering effect. In service industry, service guarantee and building up service relationship with customers are very common and useful strategies to gain customer satisfaction. Due to the growing competitive industry, marketers have made efforts building the customer-service relationship in order to attract new customers and secure existing relationships with customers. After experienced a service delivery or consumption, customers would be able to assess the service quality; however, when customers are unable to evaluate service quality due to intangibility or lack of knowledge about the service, they are likely to adopt an indirect approach to completing the evaluation. In fact, it is common for customers to judge service by accessing their knowledge stored in their minds and seeking for information as signals of service quality. In some services, customers may act as the service quality co-producer since customers are also required to perform the service delivery. Interaction with service employees, for example, is deemed a participation that provides service providers with a potential source of competitive advantage in service industry.

The aim of this study is to examine the impact of factors before and after service delivery on the customer's satisfaction. In the case of credence service, the difficulty in evaluation prior to and even after purchase is partly because customers are unable to estimate perceived risks. Thus the indicators of credence service observed prior to purchase could effectively enhance the customer's objective knowledge about the service and then reduce the customer's perceived risks after the service delivery. The purpose of this study is to develop a better understanding of how service guarantee and service relationship affect perceived risk and how they interact with antecedents of customer satisfaction. A survey of 411 consumers in a car-repair service context was conducted by using a 2 x 2 x 2 experimental design for moderating tests to test the hypotheses. Findings show that service guarantee has positive moderating effects on both perceived expertise and perceived-risk reduction. Service relationship also acts as a moderator between perceived expertise and perceived benevolence which have positive mediating effects on customer satisfaction. Results suggest that service providers should pay more attention to physical environment or surroundings in which customers are more likely to find any signal of service expertise to reduce their risk perception. Specifically, certainty impacts the constructs of trust and in turn impacts customer satisfaction. The findings are consistent with previous studies which suggest that customer satisfaction was found to be lower after service failure than in the case of error-free service and that technical and functional service quality is key to building customer trust in a firm. In addition to the direct effects of certainty and trust, results of the study also show that the service guarantee has a moderating impact on perceived risk. It suggests that

service providers should pay more attention to physical environment or surroundings in which customers are more likely to find any signal of service expertise to reduce their risk perception.

### **ABOUT THE AUTHORS**

Kungpo Tao is an assistant professor of marketing at Elizabeth City State University. He earned his Ph.D. in Marketing from Old Dominion University and he was a supervisor in retailing for years before he started PhD career. He has also published numerous conference proceedings including AMS and AMTP.

