

Investigating Customer Perceived Value in Custom Services

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Abstract: The purpose of this research is to analyze the dimensionality concept of perceived value in custom sector. Perceived value is found to be a multidimensional construct composed of five dimensions: functional value of the establishment, functional value of the personnel, functional value of the service, functional value price and emotional value. A scale of overall perceived value in custom services was obtained, composed of five dimensions and represented by 19 items that are significant for their measurement. Questionnaires were distributed and self-administered to 234 respondents of custom services in IRAN. T-test analysis and Pearson Correlation were used in this study.

Key words: Functional value % Emotional value % Custom services

INTRODUCTION

The importance of customer perceived value (CPV) has been advocated in numerous publications over the recent years. Delivering superior value to customers is indisputably a main task for service firms in today's competitive marketplace. Companies with a superior ability to provide a service product that customers perceive as valuable will incur an important competitive advantage.

Since the early 1980s, the concept of customer perceived value in marketing area has gained its importance. Companies must be focus for gaining the profit. According to Jacoby and Chestnut (1978), firms should strive to maintain long term relationships with their customers in order to obtain the advantages of a clientele loyal to the firm. However it is necessary to work with perceived value when putting into practice a relationship marketing approach, which consists of creating, maintaining and growing long term relationships in order to benefit from customers' loyalty. Delivering superior value to customers is indisputably a main task for service firms in today's competitive marketplace. Companies with a superior ability to provide a service product that customers perceive as valuable will incur an important Competitive advantage. Finding from perceived value studies can be translated into marketing strategies,

promotional strategies and market segmentation, because consumers' perceptions provide direct input for service development [1].

Literature Review

Value: Value determined as a consequence of demand was conceptualized in 1871 by Carl Menger of the Austrian School of Economic Theory. Menger detailed the subjective basis of economic value, the theory of marginal utility (the greater the number of units of a good that an individual possesses, the less he will value any given unit). Value is then determined by demand side characteristics, rather than value determined by cost of production. These economic theories come from the neo-classical school of economics and are based on the assumption of a "perfect" market place of "rational economic" individuals who form an aggregate of demand. They do not explore the actual drivers of customer demand and so ignore the effect of changing customer demand and it's affect on the marketplace, which are concepts which emanate from the behavioral school of [2] summarizes the current marketing literature on marketing identifying four themes. Value is a subjective concept which can be conceptualized as a tradeoff between benefits and sacrifices [3]. Benefits and sacrifices can be multifaceted [4] and perceptions are relative to competition [5]. These

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themes will be examined in detail in this literature review. Common to most definitions of consumer value is the idea that it emerges through use or engagement with a product. Thus, the concept of value-in-use is central to what is meant by consumer value. No matter what sales or marketing personnel put into their advertising or sales campaigns, value is created only when a product is consumed [6]. The idea that value is derived from product or service use is evident in many contemporary definitions of the term. For example, defines consumer value as an “interactive relativistic preference experience” and thereby draws attention to the transaction between product and user from which value is derived [7]. Similarly, defines value (in part) as the “personal perception of advantage arising out of a customer’s association with an organization’s offering” [8]. Beyond this agreement over its interactive nature, however, the literature contains a range of divergent views regarding such issues as the structure (dimensionality), evaluation, contextual relativity and implications of consumer value. There is, therefore, a need for further clarification of these aspects of the consumer value construct.

Functional Value: A product’s or service’s functional value may be derived from its characteristics or attributes, including reliability, durability and price and is measured through a profile of choice attributes. Traditionally, functional value is presumed to be the principal driver of consumer choice. This assumption is predicated on Stigler’s economic utility theory and is popularly expressed in terms of the rational economic man. It can be measured in either monetary or functional terms. This via the key roles of service excellence (functional quality) and customer ROI (price utility) in customer decision making [9]. We used two factors: price utility and functional quality.

Emotional Value: Emotional value (hedonic or experiential value) is the perceived utility of a product based on the feelings or affective states. The emotional value of a product is derived from specific feelings that a customer associates with it. Hedonic consumption involves multi-sensory, fantasy and emotive aspects of an individual’s experience with the products.

Customer Perceived Value: Perceived value is the essential result of marketing activities and is a first-order element in relationship marketing [10]. Marketing

researchers have recently been trying to grapple with this concept and to study it in greater depth. [11, 12] formulated the following definition of perceived value: “Perceived value is the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given”. This definition of perceived value is regarded as the most universally accepted definition [18, 19]. According to [12] value (the end) is inherently a trade-off assessment of the type “what you get for what you give”, as implied by the aforementioned definitions. This allows an investigation of how both tangible and intangible variables serve as means toward perceptions of economic value. As such, drawing on work, value is defined as the benefits received by the customer divided by the resources sacrificed to acquire them [13].

Customer perceived value becomes a customer-directed concept. It is this perception of the customer’s view of what is created and delivered that should be determined and taken into account when the organization defines its value offering. Customer perceived value as an: “interactive relativistic preference experience” [7]. The importance of being able to offer high quality experiences, which are meaningful to customers, is unquestionable.

Conceptual Model and Hypothesis: according to above literature review we proposed these hypotheses:

H1: There is a significant and positive relationship between of Functional value of the establishment and customer perceived value.

H2: There is a significant and positive relationship between Functional value of contact personnel (professionalism) and customer perceived value.

H3: There is a significant and positive relationship between Functional value of the service purchased (quality) and customer perceived value.

H4: There is a significant and positive relationship between Functional value price and customer perceived value.

H5: There is a significant and positive relationship between emotional value and customer perceived value.

As above hypotheses we proposed this conceptual model (Figure1).

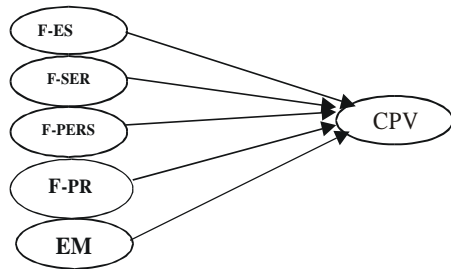


Fig. 1: Conceptual model of the research

Note:

- F-ES : Functional value of establishment
- F-SER : Functional value of service quality
- F-PERS : Functional value of personnel
- F-PR : Functional value price
- EM : Emotional value
- CPV : Customer perceived value

MATERIALS AND METHODS

Measurement Instruments: To measure dimensions of value on customer perceived value in custom services, in this research was used 19-items questionnaire developed [10]. Consequently 19-items scale was taken into account for customer perceived value. Functional value of the

establishment (4-items), Functional value contact personnel (professionalism) (4-items), Functional value of the service purchased (quality) (4-items), functional value price (2-items), Emotional value (5-items). For determining reliability and validity of the questionnaire in this research, Cronbach's alpha is used. Cronbach's alpha for constructs are: Functional value of the establishment: 0.86, Functional value contact personnel (professionalism): .79, Functional value of the service purchased (quality): .78, Functional value price: .71, Emotional value: .73. These results are shown in Table 1.

The data used to test the hypotheses were collected by means of a Likert five-point scale questionnaire distributed to customers of custom services in Iran. T-test is an appropriate for hypothesis testing then researchers used Pearson correlation to test independent variables that influenced consumer brand loyalty and to test if a relationship existed between the independent and dependent variables.

CONCLUSION

The objective of this study was to investigate dimensions of customer perceived value in custom services. There were five dimensions of value that were tested by the researchers through the questionnaires

Table 1: Reliability Analysis dimensions of Customer perceived value

Variable	Cronbach's Alpha
Functional value of the establishment	0/86
Functional value contact personnel (professionalism)	0/79
Functional value of the service purchased (quality)	0/78
Functional value price	0/71
Emotional value	0/73

Table 2: Pearson Correlation

		w1	w2	w3	w4	w5	Total
w1	Pearson Correlation	1.00	.076	.240*	.162	-.489*	.403**
	Sig. (2-tailed)		.532	.046	.180	.000	.001
w2	Pearson Correlation	.076	1.000	.171	.200	-.100	.521**
	Sig. (2-tailed)	.532		.156	.097	.411	.000
w3	Pearson Correlation	.240*	.171	1.000	.299*	-.145	.639**
	Sig. (2-tailed)	.046	.156		.012	.232	.000
w4	Pearson Correlation	.162	.200	.299*	1.000	-.223	.686**
	Sig. (2-tailed)	.180	.097	.012		.063	.000
w5	Pearson Correlation	-.489**	-.100	-.145	-.223	1.000	.054
	Sig. (2-tailed)	.000	.411	.232	.063		.658
total	Pearson Correlation	.403**	.521**	.639**	.686**	.054	1.000
	Sig. (2-tailed)	.001	.000	.000	.000	.658	

Table 3: Results of Hypotheses Test

Factors	Cronbach's Alpha	p-value	Result Testing
Functional value of the establishment	0/403	0/001	supported
Functional value contact personnel (professionalism)	0/521	0/000	supported
Functional value of the service purchased (quality)	0/639	0/000	Not Supported
Functional value price	0/686	0/000	Not Supported
Emotional value	0/054	0/658	Not supported

distributed to respondents these dimensions were functional value of the installations or establishment; functional value of the contact personnel; functional value of the service (Quality); functional value price; and Emotional value that based on the discussion in section of Research Hypotheses. The five hypotheses suggested. The proposed hypotheses were tested using T-test and Pearson correlation was used in this study. As indicated in Table 2 and Table 3, there is a positive relationship between functional value of the establishment, contact personnel, service quality, value price on customer perceived value in custom services but Emotional value have not a positive relationship on customer perceived value.

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