

## CUSTOMERS' EVALUATION OF SERVICE

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The analysis on the aspect chosen will provide an understanding and expand more on the strategic thinking that impact on corporate image on quality, customer satisfaction and loyalty for customers with varying degrees of service expertise.

Key words: customer loyalty, evaluation of service, customer satisfaction, value

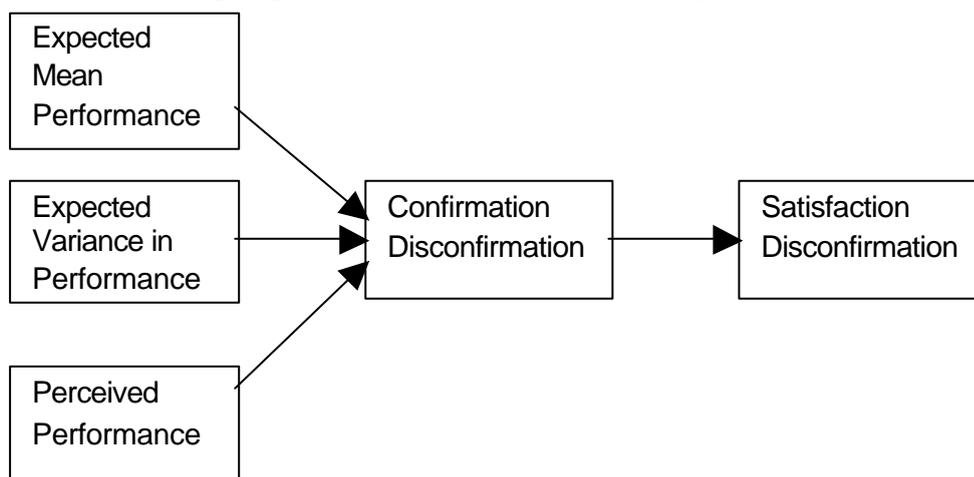
### INTRODUCTION

Consumer satisfaction is generally defined as an evaluative response concerning the perceived outcome of a particular consumption experience (Cronin & Taylor 1994). Almost all consumer process, and the most widely used conceptualisation, the disconfirmation of expectations model, compares pre-consumption expectations with performance perceptions. However, recent work seem to cast doubt on its universal applicability, and proposes additional or alternative drivers of satisfaction.

The aim of this analysis on "customers evaluation of service" is to provide a first step towards understanding if and what impact heterogeneity can have on standard satisfaction model.

The research and analysis work is schematically shown in figure 1 below.

Figure 1 Investigating the impact of means and variance expectations in the satisfaction process



Here, the proposal is that the level of uncertainty of outcomes as a separate dimension also has impact on the post-consumption evaluation process. Content and measurement of productivity are the pillars of customer service evaluation:

Service output has to be seen as the value for the customer and from the perspective of the customer.

- Its quality level must define *service output*.
- The customer must become a part of the productivity concept.
- Measures of productivity must be more customer-related.
- Dynamic indicators of productivity must be used instead of static output/input measure.
- Situation specific measures have to be available to allow for the complexity and diversity of service operations.

The first four criteria are among the basic underpinnings of the conceptual analysis of the content and measurement of service productivity.

## **SERVICE QUALITY MEASUREMENT**

Many recent authors conceptualise service quality as the result from a comparison between the consumer's expectations about the service to be rendered, on the one hand, and the consumer's experience resulting from the use of that service, on the other hand. Such a comparison is, in its turn, theoretically supported by the so-called paradigm of disconfirmation (or paradigm of disconfirmation of expectations), which is present both in the literature on overall consumer satisfaction and in specific references concerning service quality.

In rough terms, according to the disconfirmation paradigm, the consumer will be satisfied or not depending on whether service performance exceeds or not her or his expectations about the service. However, different ideas on how to operationalise the concept of expectations still persist. One of the most important aspects concerning those alternatives operationalisation refers to the fact that consumer expectations have been considered either as a point, that is, a determined numerical value, or as a zone, that is, a numerical interval.

### **Background**

In today's competitive, markets services and service companies within the same industry are becoming increasingly similar. Differentiation through the delivery channel (i.e. delivery of services against payment) is difficult. A growing number of service companies have embarked in a journey of positioning through the communication channels (i.e. delivery and personal selling) Andreassen & Bredal (1996), with the objective attractiveness. This development is in line with Lovelock (1994:134) who claims that:

*(Images)*...Are likely to play only a secondary role in customer choice decisions unless competing services are perceived as virtually identical on performance, price, and availability.

Consequently, we would expect that corporate image under current market conditions will play an important role in both attracting and retaining customers.

Research related to consumer behaviour in the field of service marketing has progressed steadily over the years. Measured by the impact and amount of work done within customer satisfaction research, it is fair to say that the dominant theories are disconfirmation of expectations (Oliver 1980, Oliver & De Sarbo 1988, Swan 1983) and cognitive psychology (Folkes 1988, Weiner 1980, 1985a, 1985b).

In the service marketing literature these streams of theory have been used in the prediction of consumer behaviour. Disconfirmation theory focuses on cognition of transaction specific experiences as a foundation for customer (dis)satisfaction and subsequent consumer behaviour where cognitive psychology has studied the importance of cognitive schemas in the decision process and consumer behaviour.

Research within the service marketing literature related to the impact of corporate image (i.e. attitude toward a company) and its impact on customer loyalty does not share the same long traditions as customer satisfaction research. Apart from the early conceptual work discussing corporate image and positioning (Lovelock 1984), the service management system (Normann 1991), the service marketing mix (Bitner 1991), technical and functional quality (Gronroos 1984), surprisingly little empirical work has been done in assessing the impact of corporate image and customer satisfaction on customer loyalty.

The purpose of this paper is to examine the impact of corporate image on quality customer satisfaction and customer loyalty in complex services with varying degrees of service expertise. A conceptual model treating satisfaction and image as latent variables with multiple attributes is proposed. Finally the findings are discussed.

### **The conceptual model**

The disconfirmation-of-expectation paradigm (Oliver 1980) argues that customer loyalty (e.g. repurchase intentions, willingness to provide positive word-of-mouth) is a function of customer satisfaction, which again is a function of a cognitive comparison of expectations prior to consumption and actual experience. Customer satisfaction/dissatisfaction requires experience with the service, and is influenced by the perceived quality and the value of the service (Anderson et al. 1994). It is the primary driver of customer behaviour.

Based on the transaction driven nature of the satisfaction experience, several writers claim that corporate image is a function of the cumulative effect of customer (dis)satisfaction e.g. Bolton & Drew (1991), Fornell (1992), Johnson & Fornell (1991) and Oliver & Linda (1981). When services are difficult to evaluate, corporate image is believed to be an important factor influencing the perception of quality customers' evaluation of satisfaction with the service, and customer loyalty.

It is generally recognised that customer's perception of quality is based on one or more cues. Olson (1972) conceptualised the formation of quality perception as a two-stage process. In Olsons model the information value of a cue depends on its predictive value, its confidence value, and whether the cue is intrinsic or extrinsic to the product. Predictive value is defined as:

*The extent to which the consumer perceives or believes that the cue is related to or is indicative of product quality.*

Confidence value is the degree to which a consumer is confident in his ability to accurately perceive and judge the cue Olson (1972).

In line with the theory of cognitive psychology (Folkes 1988); Weiner 1980, 1985a, 1985b, we expect that a service company's image will function as a filter in perception of quality, value, satisfaction and as a simplification of the decision process when consumers choose where to purchase services. Perceived performance of service quality on attribute level is believed to impact the satisfaction judgment of the transaction and the perception of value. Value is an aggregated variable reflecting the perception of all quality attributes, as a function of price is believed to impact the satisfaction judgment of the transaction. In summary we will suggest that loyalty to the same service company or same product / service is based on a confirmation-based satisfaction of previous purchases and a general attitude toward the company.

### **Perceived quality and value**

Perceived service quality is defined as 'the consumer's judgment about a product's overall excellence or superiority" Zeithaml (1988). According to Juran (1988) quality consists of two primary elements:

- to what degree a product or service meets the needs of the consumers and
- to what degree a product or service is free from deficiencies.

Service quality is believed to depend on the gap between expected and perceived performance (Anderson et al. 1994). Perceived value takes into account the price of the service in addition to the quality, according to Zeithaml *et al.* (1988):

Perceived value is the customers overall assessment of the utility of a product base on perceptions of what is received and what is given.

Consumer's perception of value is influenced by differences in monetary costs, non-monetary costs, customer tastes, and customer characteristics Bolton & Drew (1991).

Based on the above discussion and arguments, the following propositions are made:

P1: perceived quality is believed to have a positive impact on value.

P2: perceived quality and value are believed to have positive impacts on customer satisfaction.

Assuming that the customer is capable of evaluating the service performance, the result is compared to expectations prior to purchase or consumption Oliver (1980). Perceived performance is influenced by the consumer's perception of quality, marketing mix, brand name and company image.

## CUSTOMER LOYALTY

Customer loyalty expresses an intended behaviour related to the service or the company. This includes the likelihood of future renewal of service contracts, how likely it is that the customer changes patronage, how likely the customer is to provide positive word-of-mouth, or the likelihood of customers providing voice. If real alternatives exist or switching barriers are low, management discovers the organisations inability to satisfy its customers via two-feedback mechanism: exit and voice Hirschman (1970). Exit implies that the customers stop buying the company's services while voice is customer complaints expressing the customer's dissatisfaction directly to the company.

Customers exit or change of patronage will have an impact on the long-term revenue of the company. Effects caused from changes in the retention rate are exponential (not linear) with regard to effects on the long-term revenue. Even a marginal reduction/increase in retention rate has significant effects on future revenue (Andreassen 1995; Reichel & Sasser 1990). Customers may be loyal due to high switching barriers or lack of real alternatives. Customers may also be loyal because they are satisfied and thus want to continue the relationship.

History has proven that most barriers to exit are limited with regard to durability; companies tend to consider customer satisfaction the only viable strategy in order to keep existing customers. Several authors have found a positive correlation between customer satisfaction and loyalty (Anderson & Sullivan 1993); Bearden et al. 1980; Bolton & Drew 1991 and Fornell 1992).

If we accept that consumers use certain services in order to reach fulfilment of a value process of consumption, then values prompt consumers to seek out services that are value fulfilling. Services in this sense can be viewed as enhancement, phenomena that add to the positive value of a consumer's life Oliver (1996). Hence, consumer satisfaction may not be the only contributor to service loyalty.

The proposal is that the attainment of consumer values should also be viewed as a determinant of service patronage. Value is an important element of motivational analysis Pearce (1993). They reflect enduring conviction that a certain type of behaviour or state of existence is "personally or socially preferable to an opposite or converse mode of conduct or end-state of existence" (Rokeach 1973:5).

Values change only gradually over time and may have a continual influence on the evaluation of behaviour and/or events as they draw attention to the product or service attributes which consumers perceive to have goal satisfying capabilities (Henry 1986, Homer & Kahle 1988 and Mazanec 1984). As such they help consumers to give meaning to the service experience. Often a distinction is made between instrumental and terminal values in consumer value systems. Instrumental values are conceptualised as a means of reaching a goal. Products and services may provide the benefits that help consumers realise their objectives.

## CONCLUSIONS

Obviously satisfaction and quality are important concepts in the evaluation of service relationships. Both are necessary but not sufficient to good relationships. However, much controversy surrounds these constructs and their relationship (e.g. Cronin & Taylor 1994; Parasuraman *et al.* 1994 and Teas 1993, 1994). Some literature suggests that satisfaction is an antecedent of service quality (e.g. Bitner 1999; Bolton & Drew 1991), while Parasuraman *et al.* (1985) suggests that perceived service quality leads to satisfaction. Cronin & Taylor (1992) in their test of SERVPERF (Service performance) found evidence that the latter is in fact the correct causal order. Thus, it appears that to adequately evaluate service relationships, both concepts must be measured to account for ongoing nature of the relationship.

Measurements of these phenomena are necessary but not sufficient to fully evaluate a service relationship. From the brief overview of the service relationship literature above, additional dimensions have been identified which should be included in any attempt to assess the health of a service relationship. Specifically, a well designed evaluation instrument must consider the following:

- Explicitly recognising that it is important to measure a series of contacts and not isolated transactions. Parasuraman *et al.* (1994) propose a framework for measuring customers' global perceptions about a firm. This needs to be expanded upon to provide a complete relationship evaluation tool.
- Evaluation of the nature of the bonds in the relationship. The level of bonds should affect the variables included in an appropriate relationship evaluation tool.
- Assessment of all the benefits that customers receive (or expect to receive) from the relationship which differ from the benefits attained in a traditional transaction.
- Inclusion of the perspectives of all parties in the relationship in the evaluation exercise.

## FUTURE RESEARCH

Corporate image and satisfaction are two important routes to customer loyalty for most service companies, either in retaining or attracting customers. Research related to the importance of image and satisfaction in attracting new customers to the company and how this may change between different service industries is in dire need. In the emerging paradigm of relationship marketing, we need to understand the importance of image and satisfaction in retaining customers.

We focused on the impact of image and customer satisfaction on customer loyalty. One problem in estimating existing customers' experience with and perception of the company is the closeness of the two constructs. This may create validity problems. Research related to construct validity, i.e. finding good measures of satisfaction, image and loyalty, is therefore required.

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