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Antecedents and consequences of consumers' comparative value assessments across the relationship life cycle

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ABSTRACT

This study examines the antecedents and consequences of consumers' comparative value assessments across the relationship life cycle. The study positions service quality and the attractiveness of alternatives as value antecedents, and finds that while service quality is more strongly related to value in the exploration, expansion, and commitment life cycle phases, the two variables are of equal importance in the dissolution phase. The study examines the consequential effects of service quality, value, and satisfaction on share-of-customer, and finds that the effects associated with service quality and value are much more pronounced. Theoretical and managerial implications are discussed.

1. Introduction

Though value is oftentimes examined in conjunction with service quality and satisfaction, knowledge of the interrelationships among the variables and the effects each has on consumers' behaviors remains limited (Lai, Griffin, & Babin, 2009). While some researchers emphasize satisfying consumers (e.g., Fornell, Johnson, Anderson, Jaesung, & Bryant, 1996), others maintain that "Value drives loyalty, not satisfaction" (Neal, 2000, p. 19). Further, though value is conceptualized as the trade-off between benefits received and costs incurred, little is known about the factors capable of influencing the emphasis consumers place on either component. This may contribute to contrasting findings from previous studies. For instance, while Cronin, Brady, and Hult (2000) find that the sacrifice component of value is of minimal importance, Brodie, Whittome, and Brush (2009) report that benefits and costs play an equally important role in driving value assessments.

This study addresses these issues and contributes to the literature in the following ways. First, the study advances a model which simultaneously examines the direct and indirect effects of service quality, comparative value, and satisfaction on consumers' behaviors. Though each variable has been researched extensively, most studies have focused only on the bivariate links that exist between the variables and behavioral outcomes (Lai et al., 2009). Second, the study departs from traditional practice by focusing on opportunity costs as opposed to financial ones. Extant research has primarily assessed value in terms of the financial costs incurred; however, the costs associated with foregone opportunities can be significant in competitive markets. Third, the study examines the extent to which these effects are moderated by relationship life cycle phase. Parasuraman (1997) contends that as customer value creation is a dynamic process, the importance of its antecedents is likely to change over time. Through the relationship life cycle the study examines whether this is indeed the case.

2. Theoretical model and hypotheses

The theoretical model for the study is presented in Fig. 1. The model holds that consumers' comparative value assessments are cognitively derived through a comparison of service benefits attained against opportunity costs incurred. These assessments facilitate an emotional outcome—the consumer is either satisfied or dissatisfied with the value proposition vis-à-vis others available. Behaviorally, consumers make decisions regarding share-of-purchases allocated to the firm based on their satisfaction with the firm. Consumers' behaviors are also influenced by the availability of alternative offers as a dissatisfied consumer will only be able to allocate a larger percentage of spend to other firms when viable alternatives exist.

2.1. Antecedents of consumers' comparative value assessments

Value refers to an "overall assessment of the utility of a product based on the perceptions of what is received and what is given" (Zeithaml, 1988, p. 14). The term comparative value denotes the fact that consumers oftentimes weigh value propositions against one another when making decisions; hence, the focus is on the partner and a comparison level derived through perceptions of what is believed

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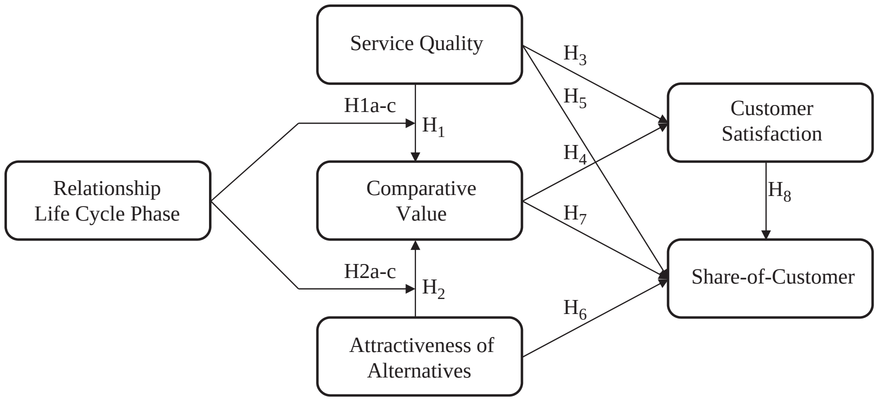

Fig. 1. Antecedents and consequences of consumers' comparative value assessments.

to be available elsewhere. These perceptions provide comparative reference points, and may differ based on context. What is perceived as an acceptable give–get ratio in one context may be unacceptable in another if competing give–get ratios are more attractive in this other context.

Service quality and the attractiveness of alternatives are examined as antecedents of consumers' comparative value assessments. Perceptions of service quality are arrived at based on the performance of the service provider (Cronin & Taylor, 1992). Empirical findings have tended to support this performance-based conceptualization and have revealed a positive relationship between service quality and value (e.g., Cronin et al., 2000). Attractive alternatives exist to the extent that viable competing offers are available in the marketplace (Jones, Mothersbaugh, & Beatty, 2000). Research indicates that the likelihood of relationship continuance is enhanced when viable alternatives are not available (Ping, 1993). Thus, while consumers' perceptions of service quality should positively affect their comparative value assessments, the attractiveness of alternative offers should have the opposite effect:

H1. Service quality is positively related to comparative value.

H2. Attractiveness of alternatives is negatively related to comparative value.

2.2. Moderating Effects of the Relationship Life Cycle

Process models of relationship development explicitly recognize and compensate for the fact that marketing relationships are dynamic in nature. These models have drawn from the interpersonal relationship literature in identifying distinct phases relationships progress via a relationship life cycle. Although a number of life cycle models have been presented in the marketing and strategic management literatures (e.g., Dwyer, Schurr, & Oh, 1987; Ford, 1980; Wilson, 1995), the Dwyer et al. (1987) model is utilized for the purposes of this study. The reasons for this choice are three-fold: first, the model provides the most widely recognized and accepted life cycle conceptualization; second, the model focuses specifically on relationships between buyers and sellers; and third, the model is designed for use in consumer and industrial markets alike. This last point is particularly salient given the significant differences that can exist across business and consumer markets. Relative to consumer marketing, the organizational buying process can involve several individuals on the buying side (i.e., the buying center), can be highly complex, may require an extended decision process, involves higher dollar volumes, and focuses on derived over direct demand. Given these differences, utilization of a model deemed appropriate across both contexts is important.

As buyers and sellers do not interact in the awareness phase and the sample for the study consists of loyalty program members, this phase is not included in the analysis. During the exploration phase, the consumer realizes a need and engages in initial prospecting activities to assess the desirability of a long-term relationship with the firm. During the expansion phase, the consumer is receiving increasing benefits and becoming increasingly dependent on the firm. Commitment denotes the most advanced relational phase, as the consumer is receiving a level of benefit that would be difficult to quickly duplicate elsewhere and has made either an implicit or explicit pledge to continue the relationship. The dissolution phase of the relationship, conversely, is characterized by a void in terms of the emotional attachment felt by the consumer. Though repeat patronage behaviors may be exhibited, this lack of attachment suggests that the relationship means little and in some cases is deemed meaningless.

The psychological and sociological perspectives provide a foundation for understanding consumers' preferences across the relationship life cycle. Several general theories of relationship development have been advanced within these bodies of literature. Social exchange theory (Thibaut & Kelley, 1959) posits that individuals' initial interactions with others are not only assessed against expectations brought into the relationship (i.e., a comparison level (CL)), but also against expectations of what other relationships might provide (i.e., a comparison level of alternatives (CL_{ALT})). This implies that as consumers initially transact with firms they assess the outcomes of these transactions against their own expectations and their expectations of what alternative firms might be able to provide. Though logical, one of the primary criticisms levied against social exchange theory is that the theory presents a highly rationale approach, one that is cognitively intense and overly economic in nature. Indeed, though individuals assessing others in interpersonal relationships may be willing and able to devote the cognitive resources this process requires, consumers are inundated with hundreds of offers from firms they may potentially enter into relationships with. Given that most consumers have neither the time nor ability to fully assess all of these offers, they must satisfice by balancing the benefits realized through the assessment process against the time and effort the process requires.

If this is the case, how do consumers weigh CL against CL_{ALT} when making decisions across the relationship life cycle? Do particular points in time exist where consumers focus more on their own expectations vis-à-vis what the firm is providing? At other points in time do consumers focus more on what alternative firms might be able to provide? Social penetration theory (Altman & Taylor, 1973) holds that "interpersonal exchange gradually progresses over time from superficial, nonintimate areas to more intimate, deeper layers of the selves" (p. 10). As relationships evolve to their most intimate points (e.g., across the expansion and commitment life cycle phases), the focus on the partner takes precedent as individuals attempt to gain a deeper understanding of the other party. If this is the case in consumer relationships and, as previously argued, consumers are limited in their ability to simultaneously focus on CL and CL_{ALT}, perceptions of