

# The roles of service encounters, service value, and job satisfaction in achieving customer satisfaction in business relationships<sup>☆</sup>

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Received 16 June 2006; received in revised form 4 June 2007; accepted 23 June 2007

Available online 16 August 2007

## Abstract

Along with variables like the service process, perceived service value and customer satisfaction, job satisfaction of service employees plays a vital role in customer evaluation of service result. However, there has been little in-depth research into the nature of this relation, in particular in the context of B2B relations. In the sphere of an organization providing financial intermediation services to the banking sector and on the basis of a literature review, hypotheses are developed which establish the mediator role of service value and the moderator role of job satisfaction of service employees when delimiting customer satisfaction. Reliability and validity analysis give satisfactory results and our conclusions establish firstly that service encounter directly and significantly affects perceived service value which is the final antecedent to customer satisfaction and secondly, that the level of employment satisfaction moderates its effect on service value.

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*Keywords:* Service encounter; Service value; Customer satisfaction; Job satisfaction of service employees; Financial sector

## 1. Introduction

There are fundamental differences between an organization marketing to other organizations – often referred to as industrial or B2B marketing – and an organization marketing to consumers, that is, business to consumer (B2C) marketing (Yanamandram & White, 2006).

The literature in general has mainly focused on consumer services rather than business services (Parasuraman, 1998), but driven by changes in the economy, marketing and purchasing of business services have been receiving growing attention both in research and practice (Wynstra, Björn, & van der Valk, 2006).

Furthermore, the growth in business related services is the main driver behind the increased share of the service sector in total value added. In 2001, finance, insurance and business services such as legal and consultancy services accounted for 20–30% of value added in the overall economy — having doubled their share since 1980 (Wölfl, 2005).

The study of concepts like quality, satisfaction and, more recently, perceived value, with roots in early works by Carlzon (1987), Grönroos (1982), Lehtinen and Lehtinen (1982), Parasuraman, Zeithaml, and Berry (1988), and Oliver (1980), provides new opportunities in organizational management. In particular, it becomes critical to identify and measure the elements which contribute most to explaining satisfaction, thus providing companies with a better understanding on how the customer's point of view is built in an environment where building more unique relationships with customers is vital (Lindgreen, Palmer, Vanhamme, & Wouters, 2006). Moreover, service marketing literature has argued that the service process, or service encounter, may be the most important antecedent in customer evaluation of service performance (Brown & Swartz, 1989; Lehtinen & Lehtinen, 1982). These service encounters are considered as the basis for building customer satisfaction.

<sup>☆</sup> The authors would like to express their thanks for the financial support received under the Spanish Ministry of Education and Science Research Project (SEJ2004-05988).

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The literature on these topics is extensive, although the precise nature of their content and of their relationships has not been extensively documented, even less so in terms of business-to-business relationships (De Ruyter, Wetzels, Lemmink, & Mattsson, 1997; Eriksson & Löfmarck Vaghult, 2000; Yeung, Chew Ging, & Ennew, 2002).

On the other hand, in service systems it has been stated that “employees’ satisfaction with their jobs is so important as customer satisfaction for the results of an organization” (Comm & Mathaisel, 2000:43). Employees’ attitudes, in general, have been proved as a variable affecting customer satisfaction (Adsit, London, Crom, & Jones, 1996) and, more specifically, this satisfaction seems to intervene in quality perceptions held by customers (Schneider & Bowen, 1985).

With the increased demand for professional services, marketing and organizational structures are changing and the importance of studying the antecedents of delivering service quality in a professional service “is crucial” (Boyt, Lusch, & Naylor, 2001: 321).

Particularly, Storer and Rajan (2002) point out that survival for financial services in an evolving workplace increasingly relies not only on technical but also on behavioral skills and knowledge relating to working methods characterized by networking, inter-dependency and reciprocity.

Consequently, this paper will explore relationships among service encounter (SE), perceived service value (SV), customer satisfaction (CS) and *job satisfaction of service employees* (JS), considering as the scenario of this research an organization specialized in service provision to financial entities, where 90% of its activity consists of preparing and processing house mortgages. First, we review the literature on the concepts SE, SV, CS and JS, and identify the links between them in order to define the research hypotheses. Then, we present the research methodology and the results of the study, followed by the conclusions and recommendations for management.

## 2. Theoretical framework and hypotheses

### 2.1. Service encounters

From the customer point of view, “the most vivid service impression occurs during the service encounter or moment of truth, i.e. when customers interact with the service company” (Zeithaml & Bitner, 2002:107). During these encounters, also known as interactions which take place in a relation episode (Ravald & Grönroos, 1996), the customer receives “a sort of snapshot” of the organization’s level of service provision. Thus, the result of interactions between organizations, related processes and services, employees who provide the service and customers define the service experience (Bitner, Faranda, Hubbert, & Zeithaml, 1997) and from the customer’s point of view, the service encounter is the origin of the whole chain of evaluations on the service result (Lehtinen & Lehtinen, 1982).

The service encounter has traditionally been described as the dyadic interaction between service providers and customers (Surprenant & Solomon, 1987). There are different types of

service encounters (Shostack, 1985), the most frequently studied being personal interactions. Armstrong (1992) proposes defining this process of service delivery as a system which can be broken down into a number of different stages. Customer perception of service characteristics in each of these stages is therefore the antecedent and origin of any process of service evaluation, and “each encounter contributes the same to the customer’s general satisfaction and to his/her willingness to do business with the company again” (Zeithaml & Bitner, 2002:108).

### 2.2. Service value

The notion of value, from a marketing approach, has a clear subjective orientation with most authors attributing an evaluative judgment to it (e.g. Berry & Yadav, 1997; Flint, Woodruff, & Gardial, 2002; Monroe, 1992; Woodruff, 1997; Zeithaml, 1984, 1988). Furthermore, value is not inherent to services “rather it is experienced by the customers” (Woodruff & Gardial, 1996:7) and therefore perceived by them. This perception in B2B interaction materialises in “judgments or evaluations of what the customer perceives as received from the seller in a specific situation of purchase or use” (Flint et al., 2002:103). This approach to the notion of value is consistent with the parameters and analytical methods proposed in the literature on consumer value (Holbrook, 1999).

There is a tendency to define value as a two-way variable following the proposal by Oliver (1999), using the term *trade-off* as equivalent to compensation or balance between benefits and sacrifices. The most basic approach to a two-way definition of value is that of ratio or *trade-off* between quality and price (Monroe, 1992), in other words “value for money” (Fornell, Johnson, Anderson, Cha, & Bryant, 1996; Gale, 1994). However, increasingly, authors are suggesting that this vision is too simplistic (Bolton & Drew, 1991), and other more sophisticated measures are needed. Thus, it is suggested that perceived value can be understood following the proposal by Zeithaml (1988:14), as “a global evaluation” that the customer develops concerning the usefulness of a product or service, based on “the perceptions of what he or she has received in contrast to what he or she has given.” Thus, value is “a positive function of what is received and a negative function of what is sacrificed” (Oliver, 1999:45), if indeed it is possible to use the term value to describe perceptions that are exclusively positive or negative.

On the above basis, service value could be the result, in part, of quality, understood as “a global judgment, or attitude, relating to the superiority of the service” (Parasuraman et al., 1988: 16). In this line of research, a significant number of contributions present value as an *advance* of quality and so, it becomes a macro-concept which includes quality (Oliver, 1999). Thus, “quality components are important elements of value... although service value also includes other components” (Lapierre, Filiatrault, & Chebat, 1999:236). These other elements would consider both the price paid for the service and the other costs incurred by the customer on acquiring the service.

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