

A survey on the relationships between perceived value and customer advocacy behavior

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Abstract. The main purpose of this paper is to develop a new model to investigate the effects of various dimensions of perceived value (social, emotional and conditional) on commitment and explore the effects of commitment on customer advocacy behaviors, including sharing information, marketing research support, word-of-mouth referrals, and increasing repurchase intentions. In this new model an online survey was used with a sample of 271 students of Shiraz University (IRAN) using NOKIA mobile phone. Over three-quarters of the students (76.2 percent) were male. The data were screened using the SPSS program (Version 11). The research found significant positive relationships between customer perceived value and commitment. The findings suggest that commitment most influenced by social value (40%), emotional value (32%), and conditional value (27%). Beside, the findings illustrate that customers with stronger levels of commitment are indeed more willing to contribute as customer advocates. This study shows that the most impacts of commitment are on word-of-mouth (31%), repurchase intentions (28%), information sharing (21%) and marketing research support (19%). Of course all of the eight hypotheses were supported.

Keywords: social value, emotional value, conditional value, commitment, word-of-mouth, repurchase intentions, information sharing, marketing research support.

1. Introduction

From an academic perspective, there is a rich and growing body of research focusing on buyer-supplier relationships in business markets (Ulaga, 2001). Scholars have also investigated a wide variety of relationship-relevant characteristics (Cannon and Perreault, 1999; Hewett et al., 2002). Across multiple studies, commitment is consistently identified as focal constructs of relationship marketing (Anderson and Weitz, 1992; Doney and Cannon, 1997; Moorman et al., 1993; Morgan and Hunt, 1994). In the present research, we suggest that the ambiguities and contradictory results in previous studies may partly be explained by the fact that researchers need to add performance-based constructs to the affective and conative variables in existing relationship marketing models. To close this gap, our research suggests that "relationship value" should be included as a key constituent when modelling business relationships (Anderson, 1995). Building on the established literature on customer value in the marketing discipline (Anderson and Narus, 2004; Gale, 1994; Woodruff and Gardial, 1996; Zeithaml, 1988), scholars have advanced our understanding of relationship value in recent years – both conceptually and empirically (Eggert and Ulaga, 2002; Hogan, 2001; Mo'ller and To'rro'nen, 2003; Ulaga, 2003; Walter et al., 2003; Wilson and Jantrania, 1995). Customer value is a strategic weapon in attracting and retaining customers and has become one of the most significant factors in the success of both manufacturing businesses and service providers (Gale, 1994; Zeithaml, 1988; Zeithaml et al., 1996; Woodruff, 1997; Parasuraman, 1997). However, the growing body of knowledge about customer value is rather fragmented, different points of view are advocated with no widely accepted way of pulling views together and related empirical study is very limited. Furthermore, relevant studies have not yet yielded any unambiguous interpretations of the key dimensions of customer value (Zeithaml, 1988; Patterson et al., 1997; Woodruff, 1997; McDougall and Levesque, 2000; Lapierre, 2000). The paper is organised as follows. Following this introduction, the theoretical background,

an integrated conceptual framework, and the key hypotheses are provided. The next section presents the methodology of the study. Finally, result and conclusions are presented.

2. Literature review and hypothesized model

Perceived value has gained recent attention as a stable construct to predict buying behavior (Anderson and Srinivasan, 2003; Chen and Dubinsky, 2003; Cronin et al., 2000; Dodds and Monroe, 1991; Hellier et al., 2003; Parasuraman and Grewal, 2000; Sweeney et al., 1999). Additionally, customers' value perceptions have been found to increase their willingness to buy and decrease their search intentions for alternatives (De Ruyter and Bloemer, 1999; Grewal et al., 2003; Hellier et al., 2003). Earlier research supports the importance of commitment in relationship marketing and the need to understand the reasons behind the behavior (Dwyer et al., 1987; Gundlach et al., 1995; Morgan and Hunt, 1994; Roos et al., 2005). Early views on commitment focused solely on repeat purchase behavior, but current definitions of customer commitment include both the attitudinal and behavioral component (Morgan and Hunt, 1994; Oliver, 1999). In service marketing commitment has been found to be the most important driver of customer behavior (Gundlach et al., 1995; Harrison-Walker, 2001; Johnson et al., 2001; Wetzels et al., 1998). Purchase based on habit is referred to as "inertia" by Anderson and Srinivasan (2003) and Gounaris and Stathakopoulos (2004), Dick and Basu (1994), and "vulnerable customer segment" by Baldinger and Rubinson (1996) and Liljander and Roos (2002). Roos et al. (2005) have found that committed customers can identify differences between the service offerings of other telecommunications service providers and appreciate the benefits offered by their own service provider, but the uncommitted customers cannot state any differences. In accordance to differences in the level of commitment, it is important to distinguish the difference in value dimensions influence on commitment in order to be able to plan effective marketing strategies (Minna Pura, 2005). Customer advocates are vital sources for future revenue streams and market intelligence as they offer insight about their needs and provide the opportunity for firms to tailor products, pricing, distribution channels, and marketing communications (Zablah et al., 2004). Customer advocacy reflects combinations of marketing resources that contribute to a more efficient and effective marketing enterprise, including voluntarily sharing customer-specific information, engaging in firm-sponsored marketing research activities, word-of-mouth referrals, and increasing levels and proportions of current purchasing activities (Russell Lacey and Robert M. Morgan 2007).

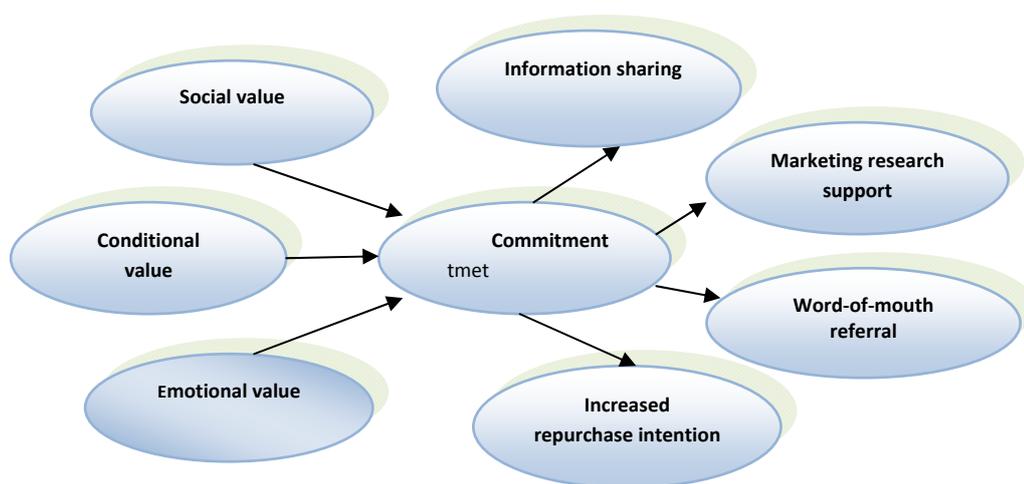


Figure 1 Hypothesized model

2.1. Social value

Social value refers to the social utility derived from the product or service, social value relates to social approval and the enhancement of self-image among other individuals (Bearden and Netemeyer, 1999). Support for the importance of social reputation in the form of esteem can be found in several researchers' work (Bhat et al., 1998; Holbrook, 1994; Sheth et al., 1991; Sweeney and Soutar, 2001). Sweeney and Soutar (2001) define social value as "the utility derived from the product's ability to enhance social self-concept".

Thus, social value derives mostly from product or service use shared with others (Sheth et al., 1991). Social value has been suggested to be positively related to commitment to a relationship with the company (Hennig-Thurau et al., 2002; Wang et al., 2004). Further, in the online context, social value is expected to enhance commitment (Hsieh et al., 2005), therefore, a positive relationship is also expected in a mobile context.

H1. Social value is positively related to customer's commitment.

2.2. Emotional value

Emotional value refers to the utility derived from the affective states that a product or service generates. Emotional value is acquired when a product/service arouses feelings or affective states (Sheth et al., 1991; Sweeney and Soutar, 2001). Enjoyment and fun seeking have been reported as customers' motives to use services (Leung and Wei, 2000). In addition, use of technology often rises positive feelings, regardless of the service used (Brief and Aldag, 1977). Previous research has found a direct relationship between emotions and commitment (Liljander and Strandvik, 1997). Semeijn et al. (2005) distinguished the importance of emotions in online services. Further, emotional value has been found to be especially important for committed customers, and help build further close emotional links with the wanted customers (Butz and Goodstein, 1996). Consequently, there is a positive relationship between emotional value and commitment.

H2. Emotional value is positively related to customer's commitment.

2.3. Conditional value

Conditional value refers originally to circumstances which impact choice. Such situations may be seasonal, once in a lifetime events or emergency situations (Sheth et al., 1991). Holbrook (1994) postulates that conditional value depends on the context in which the value judgment occurs and exists only within a specific situation. Support for the direct positive effect of the context, i.e. conditional value on purchase behavior was found in Ha's (1998) work. Thus, conditional value is expected to influence commitment positively (Minna Pura, 2005).

H3. Conditional value is positively related to customer's commitment.

2.4. Commitment and Information sharing

Commitment has been defined "as an enduring desire to maintain a valued relationship" (Moorman et al., 1993). Beatty et al., (1988) define consumer commitment as the psychological attachment to a service that develops. Information sharing refers to the sharing and exchange of essential and exclusive information through interactive activities between manufacturers and their customers (McEvily and Marcus, 2005; Mentzer et al., 2000). The commonly shared information includes market demand, customer preferences, sales promotion, and new product introduction (Mentzer et al., 2000). Information sharing is conceptualized in this study as the willingness of business customers to voluntarily provide focused organization-specific intelligence that can be used to help build and maintain customer relationships. As an organizational input, focused customer intelligence can help support the development of customized products and services (Spekman and Carraway, 2006). Customers are predicted to be willing to share organization specific information when they are already committed to the requesting firm. Those customers displaying stronger levels of commitment have greater confidence that the requesting firm will exercise good judgment in how to appropriately store and access the customer's information in support of its business activities (Ryssel et al., 2004), (Russell Lacey and Robert M. Morgan 2007).

H4. Customer's commitment is positively related to information sharing.

2.5. Marketing research support

Marketing research support is used in the present study as a collective term to describe various firm-requested customer input activities, such as making suggestions for improving products, services and processes, providing feedback about new products, as well as sharing insight about unfulfilled needs. Customers' readiness to share their views of such issues depends on the degree to which a business relationship with the requesting firm already exists (Sheehan and Hoy, 2000). As business relationships strengthen, they expand beyond repurchase to active marketing support activities (e.g. Bailetti and Litva,

1995; Bettencourt, 1997). Since customer input is fundamental to the marketing concept, active customer participation is necessary for collaborative marketing relationships (Cooper, 1998). Customer's commitment programs have been shown to raise the level of voluntary customer feedback via marketing research requests (Lacey et al., 2007).

H5. Customer's commitment is positively related to marketing research support.

2.6. Word-of-mouth referrals

Word-of-mouth (WOM) refers to the informal communication between consumers about the characteristics of a business or a product (Westbrook, 1987). It provides consumers with information about a firm that assist them to decide if they should patronize it (Lundeen et al., 1995; Zeithaml et al., 1993). The goals of a relationship marketing strategy are to get and keep valuable customers. Just to maintain one's block of business it is necessary to generate new customers because some existing customers will be lost. Reichheld (2006) argues that the ultimate test of strong customer relationships is their willingness to recommend the firm. Despite its long history in the marketing literature (Day, 1971; Katz and Lazarfeld, 1955), "interest in word-of-mouth communications has been revitalized in marketing practice," being chiefly fueled by the internet's frequently powerful role as a source and outlet for electronic word-of-mouth (Gruen et al., 2006). Committed customers promote the supplying firm through word-of-mouth referrals (Groenroos, 2004).

H6. Customer's commitment is positively related to word-of-mouth referrals.

2.7. Increased repurchase intentions

Repurchase intention refers to the individual's judgement about buying again a designated service from the same company. Some studies have concentrated on determining the basic antecedent variables to repurchase intention (Hocutt, 1998; Storbacka et al., 1994; Zahorik and Rust, 1992). In the marketing literature, there is wide agreement on the crucial role of repurchase as the key behavioral outcome for relationship marketing success (Crosby and Stephens, 1987; Reichheld, 1996). In assessing customer advocacy, it is also revealing to consider customer intentions for increasing the level of demand for a firm's products. In the hypothesized model, committed customers increase both the level and proportion of their purchasing activities over time (Groenroos, 2004).

H7. Customer's commitment is positively related to increased repurchase intentions.

3. Research methodology: sampling and data collection

To achieve the purposes of the study, data were collected from a structured questionnaire administered to students of Shiraz University (IRAN). The only condition for the inclusion of respondents was that they must have purchased NOKIA mobile phone before. The survey was posted on a Web site in Shiraz over a month from February to March, 2011. A total of 278 responses were collected. Out of these, seven were rejected because of missing data in the questionnaire. Thus, the total usable sample for analysis was 271. Over three-quarters of the respondents (76.2 percent) were male.

4. Result and Conclusion

Three value dimensions: social, emotional and conditional value had a significant, positive relationship with commitment. Commitment also had positive relationship with customer advocacy. Driven by demanding customers, keen competition, and rapid technological change, many firms have sought to deliver superior customer value (Band, 1991; Day, 1994; Gale, 1994; Naumann, 1995; Butz and Goodstein, 1996; Woodruff, 1997). Delivering superior customer value is now recognised as one of the most important factors for the success of any firm now and in the future because it has a significant impact on the customer commitment. Therefore, the paper contributes to service marketing theories by introducing a multidimensional perceived value model for assessing the direct influence of value on commitment. Another opportunity to enrich the developed model would be to test other types of customer advocacy outcomes. As anticipated, social value is shown to have a significantly positive effect on commitment and commitment significantly influences word-of-mouth referrals, and increased repurchase intentions.. Conversely, a firm

with less established or relatively weak customer relationships needs to create and build higher levels of commitment before it can anticipate widespread voluntary cooperation of its customers to serve as marketing advocates.

5. Reference

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