

# Customer satisfaction with services: putting perceived value into the equation

*Gordon H.G. McDougall*

Professor of Marketing, School of Business and Economics, Wilfrid Laurier University, Waterloo, Ontario, Canada

*Terrence Levesque*

Professor of Economics, School of Business and Economics, Wilfrid Laurier University, Waterloo, Ontario, Canada

**Keywords** *Services marketing, Consumer behaviour, Customer satisfaction, Value, Customer loyalty*

**Abstract** *This research investigated the relationship between three elements – core service quality, relational service quality- and perceived value – and customer satisfaction and future intentions across four services. The results revealed that core service quality (the promise) and perceived value were the most important drivers of customer satisfaction with relational service quality (the delivery) a significant but less important driver. A direct link between customer satisfaction and future intentions was established. The relative importance of the three drivers of satisfaction varied among services. Specifically, the importance of core service quality and perceived value was reversed depending on the service. A major conclusion was that both perceived value and service quality dimensions should be incorporated into customer satisfaction models to provide a more complete picture of the drivers of satisfaction.*

## Introduction

Customer loyalty is a prime determinant of long-term financial performance of firms (Jones and Sasser, 1995). This is particularly true for service firms where increased loyalty can substantially increase profits (Reichheld and Sasser, 1990; Reichheld, 1996). Service firms focus on achieving customer satisfaction and loyalty by delivering superior value, an underlying source of competitive advantage (Woodruff, 1997). For service firms the challenge is identifying the critical factors that determine customer satisfaction and loyalty.

Considerable research has focused on service quality dimensions as the primary determinants of customer satisfaction (Parasuraman *et al.*, 1988; Brown *et al.*, 1993; Zeithaml *et al.*, 1996). Typically, this research has not included perceived value as a determinant and this has been regarded as a shortcoming of the approach (Ravald and Grönroos, 1996; Anderson *et al.*, 1994; Heskett *et al.*, 1997). Interestingly, there has been limited empirical work conducted on perceived value and its relationship to customer satisfaction in service settings (Anderson *et al.*, 1994). Given the considerable interest in perceived value from both service marketing practitioners and academics, it is appropriate to determine its contribution to customer satisfaction.

The objective of this research is to test a more comprehensive model of customer satisfaction in service settings; one that incorporates perceived value. The model proposes that perceived service quality and perceived value influence satisfaction which, in turn, influences future intentions (Figure 1). Perceived service quality is viewed as consisting of two primary

**Long-term financial performance**

**A comprehensive model**

The current issue and full text archive of this journal is available at  
<http://www.emerald-library.com>



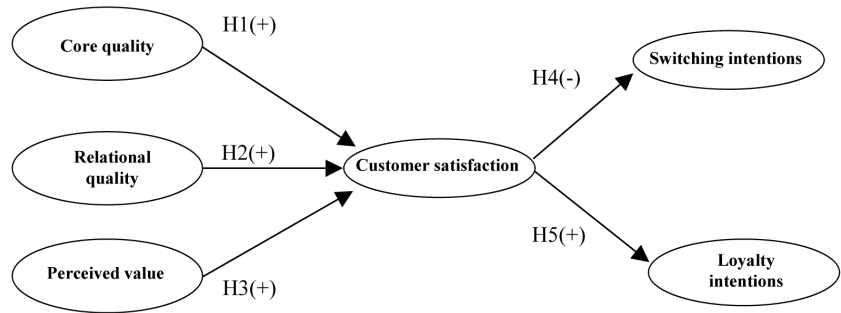


Figure 1. Proposed drivers of customer satisfaction and future intentions

dimensions: core, the basic service “contracted” for or promised, and relational, the way in which the service is delivered (Grönroos, 1985; Morgan and Piercy, 1992). Perceived value is viewed as benefits received relative to costs (Zeithaml, 1988). Customer satisfaction is viewed as the overall assessment of the service provider while future intentions are the stated likelihood of returning to the service provider. The model parallels the “tripartite model” where the antecedents of satisfaction are the observed variables leading to an inferred state, satisfaction, leading to observed variables, future intentions (Eagly and Chaiken, 1993).

### An empirical investigation

To accomplish the research objective, an empirical investigation was conducted to test a model where the three antecedents of satisfaction were core and relational service quality and perceived value and the consequences of satisfaction were future intentions. To allow for generalizations beyond a single service and to enhance the model’s validity, four different services were investigated. A major contribution of this research is the inclusion of perceived value into the customer satisfaction model. This provides the opportunity to examine the relative importance of both service quality and perceived value on customer satisfaction and future intentions. Further, service managers will be able to better address the question: “Where does perceived value fit in the customer satisfaction equation?”

### Background

Each of the components of the model – service quality, perceived value, customer satisfaction and future intentions – will be discussed in turn. This review will provide the basis for both the methodological approach taken and measurements used to test the model.

#### Service quality dimensions

Considerable research has focused on identifying the dimensions or components of service quality; those aspects that consumers evaluate to form overall judgements about the service (Parasuraman *et al.*, 1985, 1988, 1991a, 1993; Zeithaml *et al.*, 1996; Brown *et al.*, 1993; Cronin and Taylor, 1992; Teas, 1993). The literature revealed that there is considerable debate as to the basic dimensions of service quality (see Brown *et al.*, 1993; Cronin and Taylor, 1992 for reviews) and the dimensions that may be common versus distinct across services (Carman, 1990; Cronin and Taylor, 1992; Teas, 1993; Taylor and Baker, 1994).

Empirical evidence and theoretical arguments suggest that there may be two overriding dimensions to service quality; the core or outcome aspects (contractual) of the service, and the relational or process aspects (customer-

### Core and relational quality

employee relationship) of the service (Grönroos, 1985; McDougall and Levesque, 1992; Morgan and Piercy, 1992; Parasuraman *et al.*, 1991b; Dabholkar *et al.*, 1996). The core (what is delivered) and the relational (how it is delivered) are the basic elements for most services. The empirical research has shown that the service quality dimensions, including core and relational service quality, are related to overall service quality and/or customer satisfaction (Fisk *et al.*, 1993; Taylor and Baker, 1994; Zeithaml *et al.*, 1996; Dabholkar *et al.*, 1996).

In summary, two important dimensions of overall service quality are core and relational quality. These two dimensions have been linked to customer satisfaction, typically in studies that focus on determining the dimensions of service quality versus the inclusion of other potential determinants of satisfaction. Recently, concerns have been expressed that excluding the customer's perceived price or costs may be a shortcoming of these models (Ravald and Grönroos, 1996).

From a managerial perspective, these investigations of the dimensions of service quality have assisted managers in identifying the importance of ensuring that efforts are made to "get the service right the first time" and to "meet or exceed customer expectations in the delivery of the service."

However, some have argued that this is a narrow focus and that far too much emphasis has been placed on service quality, particularly relational (process) quality. To quote: "Pick up any trade journal... or even academic journals devoting space to service, and you rapidly conclude that service quality is the key to success. Too often, service quality is defined in terms of those things that contribute to process quality... Rarely is any mention made of results delivered to consumers in these reports." (Heskett *et al.*, 1997, p. 7) The authors go on to argue that results are part of the value equation which incorporates the price consumers pay for the service.

### Results or benefits

#### *Perceived value*

Perceived value has proven to be a difficult concept to define and measure (Woodruff, 1997; Holbrook, 1994; Zeithaml, 1988). Broadly defined, perceived value is the results or benefits customers receive in relation to total costs (which include the price paid plus other costs associated with the purchase). In simple terms, value is the difference between perceived benefits and costs. However, what constitutes value appears to be highly personal, idiosyncratic, and may vary widely from one customer to another (Holbrook, 1994; Zeithaml, 1988). Research evidence suggests that customers who perceive that they received "value for money" are more satisfied than customers who do not perceive they received "value for money" (Zeithaml, 1988). Also perceived value may be used by consumers to "bundle" various aspects of the service relative to competitive offerings. That is, perceived value can be viewed as a relative measure of the costs and other monetary aspects of the service in comparison to competition. For this investigation, perceived value will be defined as the consumers' overall assessment of what is received relative to what is given (Zeithaml, 1988).

The connection between perceived value and customer satisfaction or future intentions has been debated in the services marketing literature. While it is contended that value has a direct impact on how satisfied customers are with a supplier (Anderson *et al.*, 1994) and that satisfaction depends on value (Ravald and Grönroos, 1996), little attention has been paid to customer value in evaluating services (Lemmink *et al.*, 1998). It has been proposed that future intentions are determined in part by perceived value (Bolton and

### **Establishing a role**

Drew, 1991). In making the decision to return to the service provider, customers are likely to consider whether or not they received “value for money”. Further, it is possible that customer satisfaction may be based primarily on the service experience (i.e. service quality dimensions) and that perceived value is more critical with respect to future intentions. However, for this investigation, it is proposed that perceived value contributes directly to customer satisfaction which, in turn, leads to future intentions.

For service managers, it is important to establish what role, if any, perceived value plays in determining customer satisfaction. For example, if perceived value can be directly linked to customer satisfaction, then models that consider only core service quality and relational service quality will provide an incomplete picture of the drivers of customer satisfaction. For example, consider the situation where customers may be “satisfied” with “what” was delivered (the core) and “how” it was delivered (the relational) but may not have felt they got their “money’s worth.” If perceived value is a driver of customer satisfaction and the managers exclude this measure in their satisfaction model, they would attempt to improve customer satisfaction through improvements in core and relational service quality. The results of these tactics would have a minimal effect on satisfaction. By establishing the role of perceived value, decisions designed to improve customer satisfaction should be more effective.

#### *Customer satisfaction and future intentions*

Achieving customer satisfaction is the primary goal for most service firms today (Jones and Sasser, 1995). Increasing customer satisfaction and customer retention leads to improved profits, positive word-of-mouth, and lower marketing expenditures (Reichheld, 1996; Heskett *et al.*, 1997). Typically, service firms monitor customer satisfaction on an ongoing basis using Likert-type scales that measure customers’ level of satisfaction based on their last service encounter (Peterson and Wilson, 1992; Heskett *et al.*, 1997).

### **Considerable debate**

There has been considerable debate as to whether customer satisfaction is an attitude or a relatively transient consumption-specific construct, or whether it is an outcome or an evaluation (see Yi, 1990 for a review). A further debate has considered whether service quality is a cause of satisfaction (Cronin and Taylor, 1992; Parasuraman *et al.*, 1985) or a consequence of satisfaction (Bitner, 1990; Bolton and Drew, 1991). This research does not address any issues regarding these debates. Here, the view is that satisfaction is, in part, the totality of the purchase situation relative to expectations (Westbrook and Oliver, 1991).

The relationship between customer satisfaction and future intentions has been identified (Bearden and Teel, 1983; Oliver, 1980). However, limited empirical evidence appears to exist concerning the relationship between future intentions and their potential determinants; service quality dimensions and perceived value (Bolton and Drew, 1991). It is not clear whether future intentions and customer satisfaction are driven by the same set of factors. The uncertainty stems from the basic notion that customer satisfaction is a necessary but not a sufficient condition for future intentions. It has been proposed that customers’ assessments of service value influence purchase intentions and behavior (Bolton and Drew, 1991).

However, we concur with Hurley and Estelami (1998) that service quality and satisfaction are distinct constructs, and there is a causal relationship

## Improving effectiveness of decision making

between the two, and that perceptions of service quality affect feelings of satisfaction which, in turn, influence future purchase behaviour.

For service managers the importance of determining the relationship between the drivers of customer satisfaction and the linkages, if any, between these drivers, customer satisfaction and future intentions is again related to improving the effectiveness of decision making. When managers understand how customers evaluate their services and the consequences of these evaluations on satisfactions and future intentions, they can better allocate resources to increase loyalty to the firm.

In summary, the plan is to investigate the model shown in Figure 1 for four different services. The model depicts three antecedents of customer satisfaction and future intentions as a consequence of customer satisfaction. The model will test the following hypotheses:

*H1:* Customer satisfaction will be directly related to core service quality.

*H2:* Customer satisfaction will be directly related to relational service quality.

*H3:* Customer satisfaction will be directly related to perceived value.

*H4:* Future intentions to switch will be inversely related to customer satisfaction.

*H5:* Future intentions to remain loyal will be directly related to customer satisfaction.

The next section details the methodology of the study, followed by the results.

## Methodology

### *Selection of services*

The four services were selected to vary on critical dimensions, such as “ease of evaluation”, that might influence or affect the determinants of customer satisfaction and future intentions. A review of the major classification schemes (Lovelock, 1983; Bowen, 1990; Wright, 1992) helped identify four primary criteria (ease of evaluating quality, importance of service, differences in quality between service providers, and ease of switching) that formed the basis for selecting the four services under investigation. Also the selection considered whether the service was directed at a person or not and the level of contact between the provider and the customer. The four services selected – dentist, auto service (oil change and lubrication), restaurant, and hairstylist – contained a mix of the characteristics (Table I).

Brief descriptions of the four services are:

- (1) *Dentist* – given high credence qualities, it is difficult to evaluate; it is an important purchase (in part, because it involves a potential painful experience); it has some perceived differences in quality; it is difficult to switch (dental records, difficulty in search), so it could be regarded as a

Primary criteria	Dentist	Auto service	Restaurant	Hairstylist
Ease of evaluating quality	Difficult	Difficult	Easy	Easy
Importance of service	Very	Not very	Not very	Average
Differences in quality	Average	Few	Average	Average
Ease of switching	Difficult	Easy	Easy	Easy

*Table I. Criteria and services selected*

## Four primary criteria

membership service; it is directed at a person; and it is high contact (between service provider and customer).

- (2) *Auto service* – like dental services, it has high credence qualities; considered less important because it is a standard maintenance service which is performed by a wide variety of outlets suggesting few differences in quality and therefore relatively easy for customers to switch; it may or may not be a membership service depending on new car warranties; it is directed at an object, not a person; and it is low contact.
- (3) *Restaurant* – unlike the other three services, it is a discretionary, enjoyment purchase; high in search and experience qualities making it relatively easy to evaluate; it is of low importance; customer probably see medium differences in quality; it is partially directed at a person; and it is very easy to switch.
- (4) *Haircut* – It is high in search and experience qualities, therefore easy to evaluate; considered to be of medium importance and perceived differences in quality; easy to switch; it is directed at a person; and it is high contact.

## Generalizing the results

It was felt that these four services were sufficiently different across a number of characteristics (e.g. high versus low contact; easy versus difficult to evaluate) to allow for generalizing the results beyond a single service setting.

### *Measures used*

The literature review, discussed in the background section, provided the basis for the items used to measure the constructs. As shown in Table II, the approach taken to measure core and relational service quality was to have respondents base their evaluation against an ideal encounter. The purpose

Construct	Items used
Core service quality <sup>a</sup>	If an ideal rating was 100 percent, how would you rate the dentist on: Technical ability _____
Relational service quality	Personal relationship _____ ?
Perceived value	The dentist offered good value for money
Satisfaction	The dentist met my expectations Considering everything, I was extremely satisfied with the dentist
Future intentions	If it were easy, I'd switch to another dentist If people asked me, I would strongly recommend that they deal with this dentist The next time I have dental needs, I'll go back to this dentist

### **Notes:**

<sup>a</sup> Directions: when people go to the dentist, some feel that the most important feature of the service is the dentist's technical ability (doing the work properly). Other people feel that the most important feature is the personal relationship (understanding the person's situation and treating them in a courteous, friendly manner). Thinking about the last dentist you went to (see above).

<sup>b</sup> Four different questionnaires were used in the study. Each of the four questionnaires identified the service under investigation (i.e. dentist, automobile service outlet, restaurant, and hairstylist) and the questions reflected that service. Perceived value, satisfaction and future intentions items were measured on seven-point Likert scales from 1 = strongly disagree to 7 = strongly agree

*Table II. Constructs and items used<sup>b</sup>*

here was to use a direct approach and reduce the potential for a skewed response distribution by using the “ideal” anchor (Peterson and Wilson, 1992). Perceived value is based on the trade-off definition between one “give” component and one “get” component (Zeithaml, 1988; Bolton and Drew, 1991). The measurement of overall satisfaction and future intentions was based on items that are frequently used by both academics and practitioners (Brown *et al.*, 1993; Hausknecht, 1990; Heskett *et al.*, 1997; Yi, 1990). Two aspects of future intentions were measured; intent to switch and intent to remain loyal (return to provider, recommend provider to friends). The intent to switch measure (if it were easy, I’d switch to . . .) was included to remove switching barriers and capture a different aspect of future intentions. Subjects were asked to base their responses on their most recent visit to the service provider.

The questionnaire also included measures of other aspects of service quality, service problems, service characteristics, past experience with the service and service provider, and demographics.

### Church congregation

#### *Data collection*

The data were gathered from members of a church congregation in a mid-sized Canadian city. The church had over 8,000 members drawn from a wide cross-section of the community. An announcement was made at the church services that researchers from a university were conducting a study on service quality. Members were asked to take a questionnaire, complete it at home and return it by mail in a stamped addressed envelope, to the university. Members could select any one of the four questionnaires. For each questionnaire completed the researchers donated \$5.00 to a charity sponsored by the church.

A total of 587 questionnaires were distributed (dental services 156; auto service 114; restaurant 164; hairstylist 153). The response rates were: dental services 82.6 percent ( $N = 129$ ); auto service 63.2 percent ( $N = 72$ ); restaurant 81.1 percent ( $N = 133$ ); hairstylist 74.5 percent ( $N = 114$ ). The overall response rate was 76.3 percent ( $N = 448$ ). By way of summary, the sample was 60 percent female, had a mean age in the 30-39 range, with average income in the \$50,000-\$60,000 range, and 61 percent had completed some post-secondary education.

### Comparisons made

The demographic profile of the sample was compared with the population characteristics of the city where the study was undertaken. Comparisons were made on sex, age, education, and household income. No significant differences were found on household income. Significant differences were found on sex (sample was 60 percent female), age (sample under-represented in 20-39 age group, over-represented in 40-49 age group), and education (sample under-represented in less than high school, over-represented in post-high school education).

The majority of the sample had used the service within the last six months. By service, the recency of use within the last month or between one and six months was: dentist (26 percent, 66 percent), auto service (44 percent, 52 percent), restaurant (95 percent, 5 percent) and hairstylist (54 percent, 35 percent). On average, the sample had considerable experience with the service provider on which they based their responses. For dentist, 78 percent of the respondents had gone to the dentist for more than three years, with 13 percent in the one to three year range. For auto service, 12 percent went to the dealer where the car was under warranty, 30 percent went to the same outlet every time, and 47 percent went to the same outlet most of the time. For restaurants, 90 percent went to the

## Significant differences

same restaurant about half the time and different restaurants about half the time. For hairstylist, 54 percent went to the same hairstylist all the time and 35 percent went to the same hairstylist most of the time.

### Results

#### *Preliminary analysis*

The rationale for selecting the four services was that they differed on a number of critical dimensions that might influence the determinants of customer satisfaction. As shown in Table III, there were significant differences across the four services on all the items that measured these dimensions. Also reflecting the mix of services, there were no differences between specific services on any given characteristic (e.g. no difference between restaurant and hairstylist on “degree of difference”). *Post hoc* tests of mean differences indicated that the two credence services, dentist and auto service, were perceived as being more difficult to evaluate than the two experience/search services, restaurant and hairstylist. Ease of switching was perceived as most difficult for dentist, followed by hairstylist. The *post hoc* tests also indicated respondents believed that:

- there was more quality difference among auto service outlets than dentists, restaurants and hairstylists;
- excellent service care was less important for hairstylists than for dentists, auto service and restaurants;
- they would be more likely to seek a recommendation when evaluating dentists than auto service, restaurants and hairstylists;
- they would spend the most time seeking a new dentist, the least looking for a new restaurant, and an intermediate amount of time for auto service and hairstylists.

In summary, there were significant differences across the four services on all measures. On the whole, dental services were perceived as most different from the remaining three services; for this service it was more difficult to

Characteristic <sup>a</sup>	Dentist	Auto service	Restaurant	Hairstylist	Significant difference across services
Ease of evaluating quality	4.9	4.6	5.5	5.3	Yes (0.000) <sup>b</sup>
Great deal of difference in quality among service providers	5.6	5.1	6.0	6.0	Yes (0.000)
Excellent SERVICE care is very important	6.6	6.4	6.3	6.0	Yes (0.000)
If selecting new provider, seek recommendation	6.1	5.5	5.1	5.5	Yes (0.000)
Spend a lot of time selecting new provider	5.4	4.7	3.8	4.5	Yes (0.000)
It would be easy to switch	3.7	5.3	5.7	4.2	Yes (0.000)

#### Notes:

<sup>a</sup> All characteristics measured on seven-point Likert scales from 1 (strongly disagree) to 7 (strongly agree). “Dentist” received a mean rating of 4.9 for the statement, “It is very easy to evaluate the quality of dental services”

<sup>b</sup> To determine whether the services differed at all the null hypothesis that all four means were the same was tested for each characteristic. The hypothesis of equal means was rejected for each of the six characteristics. *Post hoc* tests of the difference between pairs of means are discussed in the text

Table III. Mean characteristics by type of service

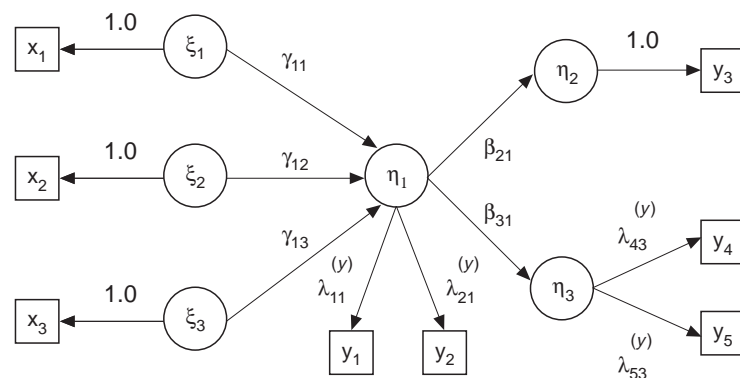


switch, more important, and more difficult to evaluate quality. Restaurant and haircut were relatively similar, with auto service providing more mixed results relative to the other services. The results provide confidence that the results of the following analysis can be generalized beyond one service.

## Observed variables

### Model testing

The model, in Figure 1, assumes a causal structure among a set of latent variables, and that the observed variables are indicators of the latent variables. Here the observed variables are measures of service quality, perceived value, customer satisfaction and future intentions (Figure 2). In general terms, the model allows for the testing of the specified relationships (e.g. perceived value is directly linked to customer satisfaction) through the use of a set of linear structural equations. The major advantage in this approach, a path model, is that it allows for the testing of antecedent and consequent relationships. Also some of the model's variables, loyalty intentions and satisfaction, are



### Latent Variables

- $\epsilon_1$ : technical ability – doing the work properly
- $\epsilon_2$ : personal relationship – understanding the person's situation and treating them in a courteous, friendly manner
- $\epsilon_3$ : perceived value
- $\eta_1$ : satisfaction with the service
- $\eta_2$ : intention to switch to another provider
- $\eta_3$ : intention to remain loyal

### Observed Variables

- $x_1$ : rating of provider's technical ability on a 100-point scale
- $x_2$ : rating of provider's personal relationship on a 100-point scale
- $x_3$ : response to "The [provider] offered good value for money" on a 7-point agreement/disagreement scale
- $y_1$ : response to "The [provider] met my expectations" on a 7-point agreement/disagreement scale
- $y_2$ : response to "Considering everything, I was extremely satisfied with the [provider]" on a 7-point agreement/disagreement scale
- $y_3$ : response to "If it were easy, I'd switch to another [provider]" on a 7-point agreement/disagreement scale
- $y_4$ : response to "If people asked me, I would strongly recommend that they deal with this [provider]" on a 7-point agreement/disagreement scale
- $y_5$ : response to "The next time I need..., I'll go back to that [provider]" on a 7-point agreement/disagreement scale

Figure 2. Path diagram of model

associated with more than one observed measure. Satisfaction, for example, was assumed to be reflected in responses to two items:

- (1) “The [provider] met my expectations” on a 7-point agreement/disagreement scale;
- (2) “Considering everything, I was extremely satisfied with the [provider]” on a 7-point agreement/disagreement scale.

This introduces the possibility of measurement error, that the items chosen were not particularly effective signals of satisfaction.

It is possible to investigate simultaneously the relationships among quality, satisfaction and intentions and the effectiveness of the measures of the satisfaction and loyalty using a LISREL specification. Figure 2 illustrates the LISREL specification for the model. The impacts of core quality, relational quality, and perceived value on satisfaction are all hypothesized to be direct ( $H1$ ,  $H2$ , and  $H3$ ) and are measured by the coefficients  $\gamma_{11}$ ,  $\gamma_{12}$ , and  $\gamma_{13}$  respectively. The structural relationship connecting switching intentions to satisfaction is measured by  $\beta_{21}$ ;  $H4$  implies  $\beta_{21}$  is negative. The structural relationship connecting loyalty intentions to satisfaction is measured by  $\beta_{31}$ ;  $H5$  implies  $\beta_{31}$  is positive. The  $\lambda$  coefficients are indicators of the extent to which the latent variables are represented by observed variables, that is how well the former are measured by the latter.

#### Good initial fit

The analysis of the model presented in Figure 2 resulted in good initial fit of the data for all four services. The modification indices, which indicate potential improvements in model fit from the addition of parameters, suggested that error covariance be added to the structural relationships between satisfaction and the intention to remain loyal and the intention to switch and the intention to remain loyal. Table IV reports the final estimates after these modifications. The fit of a LISREL model is assessed by ascertaining how “close” the estimated covariance of the observed variables are to the actual covariance. Closeness is measured by a  $\chi^2$  variable; a small  $\chi^2$  relative to the model’s degrees of freedom and a significance probability at least 0.05 are conventionally accepted as indication of an acceptable fit. The  $\chi^2$  measures of fit and their associated  $p$ -values in Table IV indicate that the LISREL model recovers much of the structure in the observed variables, evidence of acceptable overall fit for all four services.

Concerning the specific relationships among quality, value, satisfaction and intentions, the  $R^2$  measures for satisfaction ( $R^2_{\eta_1}$ ) and loyalty intentions ( $R^2_{\eta_3}$ ) suggest that the model has considerable explanatory power over the four services. The model is less successful in recovering the switching intention ( $R^2_{\eta_2}$ ). All of the model coefficients are significant. Table V summarizes the results of the hypotheses tests. There is a striking uniformity in the results over the four services, notable inasmuch as each service was examined with a different sample of respondents. Table IV shows that satisfaction reflects quality and value and in turn explains stated intentions, especially positive or loyalty intentions.

#### Distinct constructs

The results confirmed the views of Hurley and Estelami (1998) that service quality and satisfaction are distinct constructs, a causal relationship exists between the two, and that perceptions of service quality affect feelings of satisfaction which, in turn, influence future purchase behavior. Additionally, perceived value was found to contribute to customer satisfaction which represents a more comprehensive model of satisfaction.

It was notable that “perceived value” exhibited a uniformly larger impact than the “personal relationship” dimension. “Technical ability” was most

No improvement in  
model fit

Parameter	Maximum likelihood estimates (standard errors)			
	Dentist	Hairstylist	Auto service	Restaurant
$\gamma_{11}$	0.42 (0.09)	0.64 (0.10)	0.41 (0.10)	0.38 (0.07)
$\gamma_{12}$	0.22 (0.07)	0.12 (0.06)	0.16 (0.08)	0.19 (0.05)
$\gamma_{13}$	0.32 (0.08)	0.31 (0.07)	0.44 (0.10)	0.52 (0.08)
$\beta_{21}$	-0.69 (0.10)	-0.49 (0.11)	-0.56 (0.13)	-0.76 (0.11)
$\beta_{31}$	1.03 (0.28)	1.01 (0.19)	0.98 (0.17)	0.98 (0.38)
$\lambda_{11}^{(y)}$	0.81 (0.08)	0.92 (0.10)	0.85 (0.11)	0.69 (0.09)
$\lambda_{21}^{(y)}$	0.96 (0.09)	0.92 (0.10)	0.98 (0.12)	0.91 (0.09)
$\lambda_{43}^{(y)}$	0.85 (0.24)	0.90 (0.17)	0.90 (0.14)	0.88 (0.31)
$\lambda_{53}^{(y)}$	0.87 (0.24)	0.77 (0.15)	0.90 (0.13)	0.94 (0.34)
$\phi_{12}$	0.55 (0.07)	0.31 (0.10)	0.52 (0.09)	0.49 (0.07)
$\phi_{13}$	0.52 (0.07)	0.34 (0.09)	0.58 (0.08)	0.34 (0.08)
$\phi_{23}$	0.41 (0.08)	0.36 (0.09)	0.49 (0.09)	0.60 (0.06)
$\psi_{13}$	-0.09 (0.04)	-0.12 (0.04)	-0.09 (0.04)	0.00 <sup>a</sup>
$\phi_{23}$	-0.12 (0.037)	-0.20 (0.05)	-0.22 (0.05)	0.00 <sup>a</sup>
$R^2_{\eta_1}$	0.63	0.72	0.74	0.85
$R^2_{\eta_2}$	0.48	0.24	0.31	0.58
$R^2_{\eta_3}$	0.89	0.78	0.71	0.95
$\chi^2$	17.71	15.59	18.33	22.73
df	14	14	13	15
p	0.22	0.34	0.15	0.09

**Note:** <sup>a</sup> = Constrained value in this model

*Table IV. Parameter estimates for four services*

important among the three antecedents for the customers of hairstylists and dentists, a finding that may arise from the personal nature of the services (i.e. high contact between provider and customer). “Perceived value” was most important for restaurant customers.

Concerning the relationships between satisfaction and the two types of future intention, “customer satisfaction” was a strong predictor of customer loyalty intentions. It was a significant but weaker predictor of intentions to switch. This was evident in a comparison of the parameter estimates and the  $R^2$  measures of fit for the two latent future intentions variables.

Finally, the paths from quality and perceived value to future intentions were freed to determine whether there was any direct impact of the former on the latter. The results showed no improvement in model fit for any of the four services. This suggested that the impacts of quality and value on loyalty and switching worked entirely through their relationship with customer satisfaction.

The estimated results showed the initial model represented in Figure 2 described the data satisfactorily. Technical ability and perceived value

## Future studies and intentions

Hypothesis	Outcome
<i>H1</i> : Customer satisfaction is directly related to core service quality ( $\gamma_{11} > 0$ )	Evidence supports direct dependence of satisfaction on core quality for all services
<i>H2</i> : Customer satisfaction is directly related to relational service quality ( $\gamma_{12} > 0$ )	Evidence supports direct dependence of satisfaction on relational quality for all services
<i>H3</i> : Customer satisfaction is directly related to perceived value ( $\gamma_{13} > 0$ )	Evidence supports direct dependence of satisfaction on relational quality for all services
<i>H4</i> : Intentions to switch are inversely related to customer satisfaction ( $\beta_{21} < 0$ )	Evidence supports inverse relationship between switching intentions and satisfaction for all services
<i>H5</i> : Intentions to remain loyal are directly related to customer satisfaction ( $\beta_{31} < 0$ )	Evidence supports direct relationship between loyalty intentions and satisfaction for all services

Table V. Hypothesis tests

generally emerged as the key influences on satisfaction and ultimately on customer loyalty. The model was not as successful in revealing the antecedents of switching intentions.

## Discussion and summary

Perceived value was a significant determinant of customer satisfaction. Its consistent effect on satisfaction, which dominated the contribution of relational quality across the four services, highlights the improvement in understanding customer satisfaction and future intentions. As noted by others (Heskett *et al.*, 1997), too often service quality, solely defined as relational quality, has been regarded as the key to success in delivering customer satisfaction. While this study confirmed the previous views regarding the roles of core and relational quality (Grönroos, 1985; Parasuraman *et al.*, 1991b; Dabholkar *et al.*, 1996), it also strongly indicated the importance of incorporating perceived value in future studies of satisfaction and its relation to intentions.

The very strong relationship between loyalty and satisfaction ( $R^2$  averaged 0.833 for the four services) suggested the importance of perceived value to loyalty and, in turn, to profitability. It is well understood that increasing customer loyalty is positively correlated with increasing profitability (Heskett *et al.*, 1997; Reichheld, 1996). The total effect of perceived value on loyalty ( $\gamma_{13}\beta_{31}$ ) averages 0.40 for the four services compared to 0.46 for core quality ( $\gamma_{11}\beta_{31}$ ) and 0.18 for relational quality ( $\gamma_{12}\beta_{31}$ ).

From a managerial perspective, perceived value should be recognized as a contributing factor to satisfaction and loyalty. Customers are mindful of the costs of obtaining the service and costs matter in relation to satisfaction, a concept that is consistent with rational economic behavior. In competitive environments, managers who focus entirely on core and relational quality do so at their own peril; quality is just one side of the satisfaction equation. Managers need to carefully evaluate price competition, as it will be reflected in customers' assessment of perceived value. They should be aware that there might be tradeoffs required between increasing core and relational quality and raising prices. In particular, while it is difficult to disagree with the importance of offering outstanding service on the relational side to

### Challenge for managers

“wow” customers (and there are many anecdotes to support this notion) these results would suggest that managers might be placing too much emphasis on this factor.

To elaborate, the three factors – core service quality, relational service quality and perceived value – impacted on customer satisfaction which, in turn, impacted on loyalty. None of the three factors directly impacted on loyalty. Managers can have confidence that improvements in the three factors should enhance loyalty through increased satisfaction. The challenge for managers is to determine the appropriate resource allocation across the three factors that will yield the greatest return in customer satisfaction and loyalty. As an example, core service quality should typically be the primary focus of the firm (getting it right the first time), followed by perceived value (ensuring that customers get their money’s worth). Finally, the managers should then consider relational quality (the way the service is delivered).

It was interesting to note that in the two cases, dentist and hairstylist, where poor technical quality would be immediately and personally harmful, core quality dominated as the main contributor to satisfaction. “Getting it right the first time” is essential to avoiding further, possibly painful procedures (dentist) or a spoiled appearance (hairstylist). Consumers do not want a “bad hair day” after visiting the hairstylist. The study stipulated no propositions concerning the relative contributions of core and relational quality and perceived value; however, *ex post*, it was reasonable to suggest that core quality should dominate perceived value for dentists and hairstylists. Thus, the estimates contributed to the overall face validity of the empirical model, especially since the pattern was not evident in the remaining two, less personal services.

### Result for hairstylist

The result for hairstylist was somewhat surprising because of the low contribution that relational quality made to satisfaction. One possible explanation is that, because hairstylists are a search/experience service, the customer can readily judge the quality of the core, the actual haircut (Table III). The consequence is that core quality is easy to judge, it is critical, and the results suggest this is the case. For hairstylist, core quality had the largest coefficient, 0.64, of all four services. While personal relationship was still a contributor to satisfaction, on a relative basis, it played a smaller role than core or perceived value.

For the two remaining services, restaurant and auto service, perceived value was a larger contributor to satisfaction than core service quality. These findings suggest that the nature or characteristics of the service influence the relative importance of the drivers of customer satisfaction. Depending on the service, perceived value relative to core service quality might play a more significant role in customer satisfaction. Characteristics of the service that might affect the relative importance of either factor include whether or not the service is a discretionary, enjoyment service, the level of contact, the perceived differences in quality between service providers, and ease of evaluating quality. Restaurant is a discretionary purchase, moderate contact, where quality is easy to judge and quality differences are perceived between providers; auto service is a required service, low contact, where quality is difficult to judge and slightly fewer quality differences are seen between providers. For both services, perceived value may play a leading role because it is a determinant of choice in an enjoyment service (i.e. restaurant) or when core service quality is difficult to judge and there is low contact (i.e. auto service) or, probably, a combination of the characteristics noted above.

## Opportunities and challenges

Again, the significance of the findings was that the nature of the service would influence the importance of the drivers of satisfaction and intentions.

The implications for service managers are that they need to understand that the relative importance of the drivers of satisfaction and loyalty will be, to a degree, service-specific. It would not be appropriate to make generalizations about the importance of the drivers when considering a specific service. Managers need to identify how the characteristics of their specific service will influence the drivers. By determining these influences, managers will be able to focus their resources towards improving those drivers that will enhance satisfaction, loyalty and profitability. As one example, restaurant managers should be primarily concerned about the “value for money” position they have with their target markets, while hairstylists should be primarily concerned with “getting it right the first time.” The greatest opportunities and challenges reside in different drivers for the two services.

The total effects of core quality, relational quality and perceived value on satisfaction and loyalty provide managers with some insights with respect to price sensitivity of demand across the services. Specifically, the more important perceived value is to overall satisfaction and hence to loyalty and switching, the more influence price changes may have on future intentions. Table VI shows the relative contributions of perceived value, relational and core quality on satisfaction and future intentions for each service. Perceived value, which reflects price, has the greatest influence on potential demand for restaurants, followed by auto repair, dentists and hairstylists, respectively. Managers, able to rate the contributions of quality and value in this way, may gain a useful perspective on the key demand sensitivities for their service and ultimately profits.

## Value and quality

To elaborate, consider the implications of the results for the trade-off between price increases and improvements in quality. Value and quality contribute directly to satisfaction and future intentions; it is therefore possible for increases (decreases) in quality to be just balanced in their effects on satisfaction by decreases (increases) in value arising from price increases (decreases). For example, the more important core quality is relative to perceived value, the larger the potential price increases available when core quality is improved. Conversely, when perceived value is a major contributor to satisfaction, relative to core service quality, the lower the potential for leveraging price increases through core quality increases. Examination of Table V suggests that possible price increases, given increases in core quality, were largest for hairstylists, followed by dentists, auto repair and restaurants, in that order. Generally, ratings like those in Table VI equip managers with knowledge pertinent to decisions about repositioning their services on price and quality dimensions.

In the same vein, relational quality was the least important of the three factors. Consequently, offsetting price increases would be smaller for

	Core quality (%)	Relational quality (%)	Perceived value (%)
Dentist	43.8	22.9	33.3
Hairstylist	59.8	11.2	29.0
Auto repair	40.6	15.8	43.6
Restaurant	34.9	17.4	47.7

*Table VI. Relative effects of quality and perceived value on satisfaction and future intentions*

### **"Getting it right first time"**

improvements in relational quality than core quality. This offers further support for the inclusion of perceived value in customer satisfaction research. Improvements in customer satisfaction are more likely to be associated with gains in perceived value, than relational quality. In practical terms, what really matters is core service quality and perceived value and, to a lesser extent, relational quality.

Finally, an important implication for managers is that it is essential to meet customer expectations for the service core. The basic promise or implicit contract must be delivered, as it is a significant driver of customer satisfaction, which is directly related to future intentions. This confirms prior research that has identified the importance of delivering the core service or the basic promise to customers. It also points out the importance of "getting it right the first time." Service managers need to understand what their basic promise is to the customer and deliver on that promise. This promise generates the basic expectations that customers have with respect to the service. As an example, with auto service, customers expect the provider to perform the activities involved in changing the oil, lubricating the car and any other promises the provider has communicated. These promises could include a series of maintenance checks plus informing the customer of any problems encountered during those checks. The promises could also include a time-to-completion of the service. Customers will evaluate core service quality based on the promises made, which may include secondary aspects of the core. Thus, the service manager needs to deliver on all the promises made to meet core expectations.

Moving to the limitations of the study, they centre on the measurements used, particularly for perceived value. While the approach taken to use a straightforward measure was deemed acceptable for this initial investigation, additional work is required to ensure that this construct reflects the customer's view of value. Further, the link between future intentions and actual future behaviour remains tenuous, in spite of limited empirical evidence (Hurley and Estelami, 1998).

### **Two recommendations**

Two recommendations for future research are offered. First, a shift in focus in identifying the antecedents of customer satisfaction would be fruitful. While extensive research has been conducted on identifying the determinants of service quality and their relationship to customer satisfaction (Parasuraman *et al.*, 1985, 1988; Zeithaml *et al.*, 1996; Brown *et al.*, 1993; Cronin and Taylor, 1992; Teas, 1993), it would be appropriate to explore more comprehensive models of the drivers of satisfaction and intentions. This research has revealed the importance of perceived value as an antecedent. Extending this research to incorporate other measures of perceived value (Holbrook, 1994; Zeithaml, 1988) or broader definitions of customer value (Woodruff, 1997) would offer further insights and understanding of how value relates to satisfaction and loyalty. As one example, Heskett *et al.* offer a model that defines the customer value equation as equal to "results" (similar to core service quality) plus "process quality" (similar to relational service quality) divided by price plus customer access costs (Heskett *et al.*, 1997, p. 12). This view incorporates the value trade-off approach taken with this research but offers a means of calculating perceived customer value on a relative basis. Also recognizing that perceived value is a difficult concept to define and measure, research that explores alternative measures of perceived value will provide a better understanding of its role in customer satisfaction. As a second example, Aaker (1996) offers a loyalty measure based on price premium; the amount a customer is willing

## Results

to pay for the brand in comparison with other brands offering similar benefits. This approach would be particularly useful when the research objective is to identify the contribution of service quality and perceived value to customer satisfaction and loyalty for a specific service firm or a set of firms within an industry. The intriguing research issue that can be examined with this approach is to identify more clearly the linkages between the antecedents and loyalty.

Second, developing more comprehensive models of the drivers of customer satisfaction in service settings would offer a better perspective of the relative importance of service quality determinants. In particular, consideration could be given to relationship benefits and their role in customer satisfaction and loyalty (Gwinner *et al.*, 1998). To the extent that a particular target group or segment seeks relationship benefits may provide insights into how the antecedents of satisfaction and loyalty vary, across both service settings and segments.

In conclusion, this research examined the relative contribution of perceived value and two service quality determinants, core and relational, towards customer satisfaction and future intentions. The results revealed that all three variables were significantly related to customer satisfaction across the four services and future intentions were directly related to customer satisfaction. Differences were found across the four services with respect to the relative contribution of the three variables in explaining customer satisfaction and intentions. With two services, dentist and hairstylist, core service quality was the main driver followed by perceived value. For two services, restaurant and auto service, the order was reversed. For all four services, relational service quality was the third driver of customer satisfaction.

The finding that perceived value was an important contributor to customer satisfaction and intentions has two important implications. For service managers, perceived value needs to be considered in conjunction with core and relational service quality when designing and delivering the service offering. For researchers, perceived value should be incorporated into models designed to understand the determinants of customer satisfaction and loyalty.

## References

- Aaker, D.A. (1996), "Measuring brand equity across products and markets", *California Management Review*, Vol. 38, Spring, pp. 102-20.
- Anderson, E.W., Fornell, C. and Lehmann, D.R. (1994), "Customer satisfaction, market share, and profitability: findings from Sweden", *Journal of Marketing*, Vol. 58, July, pp. 53-66.
- Bearden, W.O. and Teel, J.E. (1983), "Selected determinants of consumer satisfaction and complaint reports", *Journal of Marketing Research*, Vol. 20, February, pp. 21-8.
- Bitner, M.J. (1990), "Evaluating service encounters: the effects of physical surroundings and employee responses", *Journal of Marketing*, Vol. 54, April, pp. 69-82.
- Bolton, R.N. and Drew, J.H. (1991), "A multistage model of customers' assessments of service quality and value", *Journal of Consumer Research*, Vol. 17, March, pp. 275-84.
- Bowen, J. (1990), "Development of a taxonomy of services to gain strategic insights", *Journal of the Academy of Marketing Science*, Vol. 18, Winter, pp. 43-9.
- Brown, T.J., Churchill, G.A. Jr and Peter, P.J. (1993), "Improving the measurement of service quality", *Journal of Retailing*, Vol. 69, Spring, pp. 127-38.
- Carman, J.M. (1990), "Consumer perceptions of service quality: an assessment of the SERVQUAL dimensions", *Journal of Retailing*, Vol. 66, Spring, pp. 35-55.
- Cronin, J.J. and Taylor, S.A. (1992), "Measuring service quality: a re-examination and extension", *Journal of Marketing*, Vol. 56, July, pp. 55-68.



- Dabholkar, P.A., Thorpe, D.I. and Rentz, J.O. (1996), "A measure of service quality for retail stores: scale development and validation", *Journal of the Academy of Marketing Science*, Vol. 24, Winter, pp. 3-16.
- Eagly, A.H. and Chaiken, S. (1993), *The Psychology of Attitudes*, Harcourt Brace Jovanovich: New York, NY.
- Fisk, R.P., Brown, S.W. and Bitner, M.J. (1993), "Tracking the evolution of the services marketing literature", *Journal of Retailing*, Vol. 69, Spring, pp. 61-103.
- Grönroos, C. (1985), "Internal marketing – theory and practice", in Block, T.M., Upah, G.D. and Zeithaml, V.A. (Eds), *Services Marketing in a Changing Environment*, American Marketing Association, Chicago, IL, pp. 41-7.
- Gwinner, K.P., Gremler, D.D. and Bitner, M.J. (1998), "Relational benefits in services industries: the customer's perspective", *Journal of the Academy of Marketing Science*, Vol. 26, Spring, pp. 101-14.
- Hausknecht, D.C. (1990), "Measurement scales in customer satisfaction/dissatisfaction", *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, Vol. 3, pp. 1-11.
- Heskett, J.L., Sasser, W.E. Jr and Schlesinger, L.A. (1997), *The Service-Profit Chain*, Free Press, New York, NY.
- Holbrook, M. (1994), "The nature of customer value: an anthology of services in the consumption experience", in Rust, R.T. and Oliver, R.L. (Eds), *Service Quality: New Directions in Theory and Practice*, Sage Publications, Thousand Oaks, CA, pp. 21-71.
- Hurley, R.H. and Estelami, H. (1998), "Alternative indices for monitoring customer perceptions of service quality: a comparative evaluation in a retail context", *Journal of the Academy of Marketing Science*, Vol. 26, Summer, pp. 201-21.
- Jones, T.O. and Sasser, W.E. Jr (1995), "Why satisfied customers defect", *Harvard Business Review*, Vol. 73, November-December, pp. 88-99.
- Lemmink, J., de Ruyter, K. and Wetzels, M. (1998), "The role of value in the delivery process of hospitality services", *Journal of Economic Psychology*, Vol. 19, April, pp. 159-77.
- Lovelock, C.H. (1983), "Classifying services to gain strategic marketing insights", *Journal of Marketing*, Vol. 47, Summer, pp. 9-20.
- McDougall, G. and Levesque, T. (1992), "The measurement of service quality: some methodological issues", *2nd International Research Seminar in Service Management*, La-Londe-Les Maures, France, pp. 410-31.
- Morgan, N.A. and Piercy, N.F. (1992), "Market-led quality", *Industrial Marketing Management*, Vol. 21, pp. 111-18.
- Oliver, R.L. (1980), "A cognitive model of the antecedents and consequences of satisfaction decisions", *Journal of Marketing Research*, Vol. 17, November, pp. 460-9.
- Parasuraman, A., Berry, L.L. and Zeithaml, V.A. (1991a), "Refinement and reassessment of the SERVQUAL scale", *Journal of Retailing*, Vol. 67, Winter, pp. 420-50.
- Parasuraman, A., Berry, L.L. and Zeithaml, V.A. (1991b), "Understanding customer expectations of service", *Sloan Management Review*, Vol. 39, Spring, pp. 39-48.
- Parasuraman, A., Berry, L.L. and Zeithaml, V.A. (1993), "More on improving service quality measurement", *Journal of Retailing*, Vol. 69, Spring, pp. 140-7.
- Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1985), "A conceptual model of service quality and its implications for future research", *Journal of Marketing*, Vol. 49, Fall, pp. 41-50.
- Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1988), "SERVQUAL: a multiple-item scale for measuring consumer perceptions of service quality", *Journal of Retailing*, Vol. 64, Spring, pp. 2-40.
- Peterson, R.A. and Wilson, W.R. (1992), "Measuring customer satisfaction: fact and artifact", *Journal of the Academy of Marketing Science*, Vol. 20, pp. 61-71.
- Ravald, A. and Grönroos, C. (1996), "The value concept and relationship marketing", *European Journal of Marketing*, Vol. 30 No. 2, pp. 19-30.
- Reichheld, F.F. (1996), *The Loyalty Effect*, Harvard Business School Press, Boston, MA.
- Reichheld, F.F. and Sasser, W.E. Jr (1990), "Zero defections: quality comes to services", *Harvard Business Review*, September-October, pp. 105-11.
- Taylor, S.A. and Baker, T.L. (1994), "An assessment of the relationship between service quality and customer satisfaction in the formation of consumers' purchase intentions", *Journal of Marketing*, Vol. 58, Summer, pp. 163-78.

- Teas, R.K. (1993), "Expectations, performance evaluation and consumers' perceptions of quality", *Journal of Marketing*, Vol. 57, October, pp. 18-34.
- Westbrook, R.A. and Oliver, R.L. (1991), "The dimensionability of consumption emotional patterns and customer satisfaction", *Journal of Consumer Research*, Vol. 18, June, pp. 84-91.
- Woodruff, R.B. (1997), "Customer value: the next source for competitive advantage", *Journal of the Academy of Marketing Science*, Vol. 25 No. 2, Spring, pp. 139-53.
- Wright, L.K. (1992), "Success factors across different service types", *2nd International Research Seminar in Service Management*, La-Londe-Les Maures, France, pp. 749-81.
- Yi, Y. (1990), "A critical review of consumer satisfaction", in Zeithaml, V.A. (Ed.), *Review of Marketing*, American Marketing Association, Chicago, IL, pp. 68-123.
- Zeithaml, V.A. (1988), "Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence", *Journal of Marketing*, Vol. 52, July, pp. 2-22.
- Zeithaml, V.A., Berry, L.L. and Parasuraman, A. (1996), "The behavioral consequences of service quality", *Journal of Marketing*, Vol. 60, April, pp. 31-46.



*This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present*

## **Executive summary and implications for managers and executives**

### ***The importance of perceived value***

*Two important aspects of overall service quality are core and relational quality. Core quality centres on the basic service contracted for or promised. Relational quality concerns the way in which the service is delivered. However, service customers may be satisfied with what is delivered (the core) and how it is delivered (the relational) but may still not feel they have got their money's worth. Customers are mindful of the costs of obtaining a service and costs matter in relation to satisfaction. McDougall and Levesque seek to put perceived value – the results or benefits consumers receive in relation to the price paid and other costs associated with the purchase – into the equation.*

*The authors argue that managers who exclude perceived value from their satisfaction model risk attempting to improve customer satisfaction solely through improvements in what is delivered and how it is delivered. The results of these tactics may have only minimal effect on satisfaction. By establishing the role of perceived value, decisions designed to improve customer satisfaction should be more effective.*

### ***Achieving the best allocation of resources***

*The authors' research is based on the services provided by the dentist, vehicle service station, restaurant and hairdresser. These are considered to be sufficiently different across a number of characteristics – for example, high versus low contact and easy versus difficult to evaluate – to allow the results to be generalized.*

*The research reveals that core service quality, relational service quality and perceived value all affect customer satisfaction which, in turn, affects customer loyalty. Core service quality and perceived value are the most important drivers of customer satisfaction, with relational service quality a significant but less important driver. The challenge for managers is to decide how best to allocate resources across the three factors to yield the greatest return in customer satisfaction and loyalty in their particular service area.*

*For dentists and hairstylists, where poor technical quality would be immediately and personally harmful to the customer, core quality is the main contributor to satisfaction. Dentists and hairdressers should be mainly concerned with getting it right first time. For restaurants and car servicing, perceived value is a larger contributor to satisfaction than core service quality. Restaurants are an “enjoyment” service which are obviously affected by perceived value. Restaurant managers should therefore be primarily concerned about the value for money they offer their target markets. In car servicing, the quality of the core service is difficult for the average customer to judge and he or she has relatively little contact with the service provider.*

### ***The scope for price increases***

*The more important perceived value is to overall satisfaction, and hence to loyalty and switching, the more influence price changes may have on the client's future intentions to purchase a service. Conversely, the more important core quality is relative to perceived value, the larger the potential price increases available when core quality is improved.*

*Finally, McDougall and Levesque conclude that it is essential that managers meet customer expectations for the service core. The basic promise or implicit contract must be delivered, as it is a significant driver of customer satisfaction, which is directly related to future purchase intentions.*

*(A précis of the article “Customer satisfaction with services: putting perceived value into the equation”. Supplied by Marketing Consultants for MCB University Press.)*