An examination of the effects of service brand dimensions on customer satisfaction

Athanasios Krystallis
Polymeros Chrysochou

Available at: https://works.bepress.com/chrysochou/37/
An examination of the effects of service brand dimensions on customer satisfaction

Author: ATHANASIOS KRYSALLIS - Email: atkr@asb.dk
University: AARHUS UNIVERSITY

Track: Services Marketing

Co-author(s): Athanasios Krystallis (Aarhus University)
Polymeros Chrysochou (Aarhus University)

Access to this paper is restricted to registered delegates of the EMAC 2012 Conference.

Acknowledgements:
The authors wish to thank Felix Nickel and Linna Pillossof for their valuable contribution during data collection.
An examination of the effects of service brand dimensions on customer satisfaction

Abstract

The present study intends to examine how consumers evaluate service brands. Building on past literature, several causal relationships are examined between key brand dimensions and consumer satisfaction using the airline industry as an exemplary branded service category. Results reveal price, core service, feelings and self-image congruence to be the most important dimensions of a service brand which, in turn, impact significantly on consumer satisfaction. Except price, these attributes are intangible components of the service brand that can only be assessed by the customer during the use stage of decision-making. Besides these brand components, controlled communications are also found to strongly influence customers’ overall dispositions toward the brand.

Key-words: service brands, brand evidence, brand hearsay, customer satisfaction

Track: Services Marketing
1. Introduction

The importance of branding in the service sector has been highlighted by several authors (e.g. Arora & Stoner, 1996; McDonald, De Chernatony, & Harris, 2001), who stressed that branding serves as a key success factor for service organizations and that it must be seen as “a cornerstone of services marketing in the 21st century” (Berry, 2000, p. 128). However, the inherent differences underlying goods and services (i.e. services’ intangibility, perishability, heterogeneity and simultaneity) may well question the relevance of existing branding models in a service setting (Berry, 2000; Grace & O’Cass, 2005). Thus, the belief that consumer evaluation of service brands requires new theoretical approaches is widespread among academics (Berry, 2000; De Chernatony & Dall'Olmo Riley, 1998; McDonald, et al., 2001; Zeithaml, Parasuraman, & Berry, 1985).

Besides the limitations of conceptualizing brands mainly in terms of physical products (e.g. Aaker, 1991; Keller, 1993), early branding models (e.g. Berry, 2000; De Chernatony & Dall'Olmo Riley, 1998) were not empirically validated. To cope with this, Grace and O’Cass (2005) proposed the Service Brand Verdict (SBV) model to examine the effects between various service brand dimensions and customers’ use intention. While the relationships between the constructs in their model have been validated, their findings have until now only been tested in two specific service settings, namely retail stores and banks. Further validation of the SBV model is thus required to test its generalisability to other service settings and suggest possible modifications.

Taking into account the limitations of previous work, the present paper builds on Grace and O’Cass’s (2005) SBV model, in order to explore the contribution of various service brand dimensions on customer satisfaction. This objective is met by addressing the following two research questions: (a) what are the dimensions of service brands that are meaningful to consumers when evaluating branded services? and (b) how do service brand dimensions affect consumers’ satisfaction with service brands?

2. Hypotheses Development

Following the above-described research questions, the main postulated interrelations as specific research hypotheses are explained below and summarised in Figure 1.

a) Brand Satisfaction (BS): Brand satisfaction refers to the customer’s immediate response to the brand’s performance and thus results from the confirmation/disconfirmation of users’ expectations (Spreng, MacKenzie, & Olshavsky, 1996). Satisfaction is considered to be the outcome of customers’ post-purchase evaluations of both tangible and intangible brand attributes. Several service brand dimensions have thus been identified as being strongly associated with satisfaction, such as the interaction with the personnel (Johns, 1999), as well as a company’s physical surroundings (Bitner, 1992). On the other hand, satisfaction also involves a judgment based on expectations resulting from various sources of information (Spreng, et al., 1996). Taking account of this fact, satisfaction is conceptualised as a response to both service attributes (i.e. brand evidence) and service information (i.e. brand hearsay).

b) Brand Evidence (BE): Brand evidence is understood as a construct that comprises brand associations meaningful to a customer when evaluating a service brand during both the pre- and post-purchase stages. In the pre-purchase stage, customers can evaluate a service brand through its more tangible or known attributes, such as brand name, servicescapes and price (Arora & Stoner, 1996; Bitner, 1992; Turley & Moore, 1995). However, based on the specific characteristics of services, a customer’s evaluation process continues post-purchase, so that previously inaccessible (i.e. intangible) brand attributes are being judged. In this respect, brand dimensions, such as the actual encounter with the service staff (i.e. employee
service), a user’s self-image congruence or the feelings that occur during service provision are particularly crucial. Overall, brand evidence is the foundation upon which customers’ responses are based. Based on the above discussion, it is hypothesised that \( H_1 \): *Brand evidence is positively related to satisfaction.*

c) *Brand Hearsay (BH):* Brand hearsay refers to all service brand-related communications (controlled, i.e. advertising and promotions; and uncontrolled, i.e. word-of-mouth (WOM) and non-paid publicity). Prior to purchase, these sources of information directly shape customers’ expectations and thus are strongly linked with customer satisfaction (i.e. expectancy-disconfirmation paradigm, Babin & Babin, 2001). Besides its direct relation to customer satisfaction, brand hearsay is also hypothesized to affect brand evidence, since communication variables are expected to influence customers’ evaluation of brand dimensions. Based on the above discussion, it is hypothesised that \( H_2 \): *Brand hearsay is positively related to satisfaction*; and \( H_3 \): *Brand hearsay is positively related to brand evidence.*

3. Methodology

In order to test the above-postulated relationships, an online survey was conducted during June-July 2009 amongst 233 students of a leading Danish University, with the aim to investigate their evaluation of and satisfaction with airline brands. Past studies have shown that airlines are strongly perceived as a typical service offering when asked to think of service brands (O’Cass & Grace, 2003). To ascertain validity and allow comparison with previous findings, all scales were adapted from past literature (Grace & O’Cass, 2005), slightly rephrased to fit the airline context. All items were measured on a 7-point Likert scale with end-points 1 = “strongly disagree” and 7 = “strongly agree”. Finally, in order to increase realism, respondents were prompted to think of a past occasion where they had to choose among competing airlines, then requested to indicate the name of the chosen airline and to keep it in mind when answering the survey questions.

As regards to the model specification, a distinction has to be made between the structural and the measurement conceptualisations of the model. The structural model (i.e. the relationships among the latent variables) comprises three key constructs (BE, BH and BS) and
their expected interrelationships are specified by the hypotheses H₁-H₃. The service brand dimensions and communication variables are conceptualised as first-order dimensions and serve as indicators of the higher-order latent constructs BE and BH (i.e. measurement model). All first-order dimensions of BE and BH, as well as BS are conceptualized in the reflective mode (Diamantopoulos & Winklhofer, 2001), due to theoretical considerations and the types of indicators used. On the other hand, BE and BH are considered to be compositions of their underlying first-order dimensions and they are operationalized in the formative mode, making the here postulated a “reflective first-order, formative second-order” (or Type II) measurement model (Jarvis, MacKenzie, & Podsakoff, 2003).

Based on this conceptualization, the research hypotheses are tested with Partial Least Squares (PLS, smartPLS v.2.0). PLS avoids the need for large samples, deals well with multicollinearity and skewed distributions (Cassel, Hackl, & Westlund, 2000), and it is suitable for Type II models (Grace & O’Cass, 2005). A two-stage PLS approach was therefore applied (e.g. Agarwal & Karahanna, 2000; Wan, Wang, & Haggerty, 2008), in which first-order latent variable scores were initially estimated. These scores were subsequently used as indicators in a separate higher-order structural model analysis.

4. Analysis and Results

Preliminary results confirmed that participants were familiar with and made frequent use of the services provided by airlines (69.5 percent indicated to fly approximately one to five times a year). The fact that 41.7 percent of the participants thought of a long-distance flight when filling in the questionnaire might indicate that they did not primarily have low-cost airlines as the focal brand in mind; consequently, one can assume the findings are not biased towards any specific airline segment.

In relation to the reflective first-order measurement model, convergent validity was judged by examining construct loadings and reliabilities. Based on the first PLS estimation, almost all items loaded significantly on their respective latent variable and were above 0.7 (Davis, Golicic, & Marquardt, 2008; Jarvis, et al., 2003). Moreover, all Cronbach Alphas were above 0.7, all composite reliability indices above 0.8 (Hulland, 1999) and the average variance extracted (AVE) for each variable above 0.5 (Davis, et al., 2008; Hulland, 1999). Furthermore, inspection of cross-loadings revealed that almost all items correlated most strongly with their intended construct than with any other, thus indicating acceptable discriminant validity. Based on the loadings from this first PLS estimation, latent variable scores were computed (i.e. composite scores) for the first-order dimensions of BE and BH. The means of those first-order composite scores ranged from 3.48 for WOM to 5.46 for Core Service and the standard deviations between 0.93 for Servicescapes and 1.54 for WOM.

Subsequently, those latent composite scores of the first-order dimensions were computed and used as indicators of BE and BH in the second PLS run. Due to the formative nature of this second-order measurement model, the quality and suitability of those items was assessed by considering content and indicator specification, indicator multicollinearity and external validity (Diamantopoulos & Winklhofer, 2001). This second PLS run integrated BS to BE and BH in a single model and simultaneously estimated second-order measurement, as well as structural relationships. Results for the measurement model highlighted that Brand Name, as well as WOM and Publicity were not significant (p > 0.05) for the conceptualizations of BE and BH respectively. Results for the structural model (Figure 2) allowed for the estimation of the path coefficients connecting the latent constructs and the testing of the hypotheses H₁-H₃ underlying this study.

Overall, the findings appear quite promising to the extent that two of the three hypothesized relationships are confirmed through the existence of statistically significant path
coefficients. In this respect, it is revealed that customer satisfaction with a service brand is mainly based on the brand’s dimensions (BE), while brand-related communications (BH) are found to only indirectly influence customer satisfaction, through their significant influence on customers’ perceptions of the various brand dimensions. Results further show that 65 percent of the variance in BS is explained by the underlying framework ($R^2=0.65$). Moreover, although a strong relationship is found between BH and BE, the explained variance in the brand evidence construct ($R^2=0.24$) should be seen with cautiousness since, theoretically, the variance in a formatively measured latent should be fully accounted for by its indicators (Diamantopoulos, Riefler, & Roth, 2008).

5. Discussion

Overall, results show that all except one of the hypothesized service BE dimensions are important. Thus, Core Service, Price/Value for Money, Feelings and Congruence are the most important brand components shaping customers’ perception of their chosen service brand.

The strong weight attributed to the Price/Value for Money dimension indicated that customers always consider what service quality they get for what they have to sacrifice, in line with past findings (Dodds, Monroe, & Grewal, 1991). The price of a service is one of the few tangible attributes that can be assessed prior to purchase and, as such, the perception of good value for money could significantly impact on consumers’ decision-making.

Besides this tangible service element, results clearly revealed that BE is mainly accounted for among those brand dimensions that are experienced by the consumer during the consumption stage (i.e. Core Service and Employee Service), conforming Parasuraman, Zeithaml and Berry (1985) and Berry (2000), who assumed customer’s brand image to be disproportionately shaped by direct experience with the service brand. Given the fact that the Core Service refers to the fundamental process of the offering (e.g. transportation from A to B), it is not surprising that this dimension is of crucial importance to a service user and this would be similar to a physical good. Due to the inseparability of services, the interaction
between the consumer and the provider becomes a key element and thus service users see the employee service dimension as an important part of a brand’s evidence.

Moreover, the Feelings aroused during experience, as well as the Congruence of a user’s self-image with respect to the image of the brand are critical components of a service brand dimensions. Due to the fact that services are experiential in nature and that their provision takes a certain amount of time, it seems to be particularly important for consumers to feel good when receiving a service. Similarly, these feelings might be related to the self-image dimensions, meaning that, overall, customers want to feel being in a pleasant environment, with people similar to them being present at the time of service consumption. A company’s physical facilities also appeared to be an important brand dimension for consumers’ satisfaction, thus illustrating that Servicescapes is a crucial means for making a service offering tangible in order to have consumers easily assess a company’s quality.

Surprisingly, Brand Name was the only brand dimension not important to consumers’ evaluation of a service brand. This might be explained by the underlying brand stimuli, indicating that airlines are just not good enough in establishing strong brand names. The heterogeneity of services might also play a role, highlighting that the quality of service experience, unlike that of standardized goods, can vary from day to day and from one occasion to the next. As a result, a brand name might be important for a firm but it does not assist the consumer if the experience of a service delivery is to a large extent inconsistent.

Overall, results generally confirm earlier findings, indicating that there are indeed certain interrelationships that could be common within the service sector as a whole. In broad terms, the powerful relationship between the dimensions of a service brand and customer satisfaction clearly highlights that it is mainly a service brand’s tangible and intangible attributes evaluated during usage that result in customer satisfaction with the service brand. However, what is new in the present study is that, contrary to past results (e.g. Grace and O’Cass, 2005), Controlled Communications are important sources of information, but not WOM and Publicity. This might possibly be due to the fact that all respondents in the survey had previously experienced the chosen brand. As such, it might be expected that personal sources of communication are important for new or unfamiliar consumers.

Yet even more interesting is the finding that Controlled Communication elements, like advertising and promotions, do not have any direct and significant influence on customer satisfaction with service brands. However, advertising and promotions directly and significantly shape customers’ perception of the various brand dimensions. As a consequence, controlled communications must be seen as a powerful instrument for marketers in affecting consumers’ evaluation of various tangible and non-tangible brand attributes. Given the experiential (during-usage) nature of those attributes, the importance of controlled communications in shaping customer perceptions is very high since their impact can be exercised in a pre-purchase phase, thus preparing the ground for a more positive evaluation of the service brand during usage.

6. References


