CUSTOMER VALUE AND ITS CONSEQUENCES: A PROPOSED MODEL

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ABSTRACT

Customer value (CV) is a powerful tool for improving customer loyalty and satisfaction. The purpose of this research is to use insights from the literature to develop a conceptual model and to suggest propositions for empirical testing. The theories underpinning the concept of customer value were identified. A conceptual model relationship showing customer value (customer perceived value, CTV-customer transfer value; word of mouth, referrals, customer value co-creation, service, quality, image, price, utilitarian, hedonistic, emotional value, social value, functional value), organisational climate and organisational outcomes (financial performance, strategic performance, business sustainability and productivity) nexus was developed. The authors suggested sixteen propositions for empirical validation. The study did not empirically test the propositions but only indicated that they should be tested in future research. The authors recommended that structural equation modelling should be used in analysing and testing the propositions.

Keywords: TQM; customer satisfaction; customer value; performance; organisational climate; SEM

1. INTRODUCTION

Marketing experts and practitioners have focused on the concept of value because of it important to organisations. Value is crucial in business operations because it helps create business relationships (Corsaro and Snehota, 2010; Nätti, Pekkarinen, Hartikka & Holappa, 2014) and makes managerial decisions easier (Corsaro, 2019; Eggert, Kleinaltenkamp & Kashyap 2019). Woodside, Golfetto and Gibbert (2015) define value as a net score that takes into account the overall advantages perceived or realised as well as the total expenses of acquiring, utilising, and disposing of a product or service. Some scholars, especially Brodie, Little and Motion (2008) and Grönroos, (2011) claim that the concept of value is commonly utilised and misused in the marketing literature. Value has been used in a variety of settings (e.g., value in use, customer value, producing and providing value, customer-perceived value, value chain etc.). The current study focuses on customer value. Customer value refers to consumers' subjective preferences for specific product and service features (Hiray and Anjum, 2022). It has been argued that the cost of acquiring a new customer is significantly higher than that of retaining an existing one. Customer value is critical in developing effective marketing strategies and increasing customer service in businesses. However, there is a scarcity of empirical research on how customer value improves various organisational outcomes, particularly in Nigeria. A search on the Google Scholar database reveals that this important topic is under-researched in Nigeria. As a result, the purpose of this study is to analyse the existing literature on the subject and make recommendations for future research areas based on discovered gaps. Specifically, a conceptual model is developed for empirical testing. We believe that our review of customer value (CV) will benefit scholars and practitioners alike.

The paper is organised as follows. Section 2 discusses conceptualising customer value and consequences of CV, followed by Section 3 methodology and Section 4 discussion and conclusion.

2. LITERATURE REVIEWS

Conceptualising Customer Value

According to Grönroos (2011), customer value is "monetary gains created mutually and reciprocally by business partners". Customer value is the ability of firms to add value to the goods and services they sell to customers (Johnson and Weinstein, 2004). Sánchez-Fernández and Iniesta-Bonillo (2009) suggest that customer value is the relative preference for a strong customer-specific product or service features evaluated subjectively. The research on customer value focuses on three perspectives. The first stance defines customer value from the standpoint of customers, mainly from the value

companies create for customers (Yingzi et al., 2004). Based on this perspective, Holbrook (1996) proposed customer-perceived value which he defined as weighing the benefits perceived by the customer and the cost of purchasing the product or service.

Similarly, Kumar, Scheer and Kotler (2000) proposed customer transfer value, which is measured as the difference between total customer value and total customer cost. The conceptualisation of CV from the perspective of customers offers robust theoretical support for customer-oriented marketing. The second stance is to assess customer value from the angle of firms, which is represented by customer lifetime value (CLV) (Berger and Nasr, 1998; Mihai and Salerno, 2002). Linjie, Shukun, and Daowu (2005) opine that CLV is the total revenue that each buyer may create for the firm in the future. Krstevski and Mancheski (2016) argue that the reciprocal association between firms and customers, and customers' contribution to the profits and expenses of firms exist throughout the customer lifecycle. The third stance is to examine customer value from both the customer's and the firms' perspectives. Weinstein (2012), and Johnson and Weinstein (2004) proposed the SQIP Approach to customer value, where S represents Service, Q for Quality, I for Image, and P for Price. Each of these four elements contributes to customers' perception of value and affects their levels of dissatisfaction or satisfaction with a product, service, or business. From a customer's perspective, Johnson and Weinstein (2004) opines that CV is a trade-off between benefits received from offers and the sacrifices including money, stress, and time to obtain these offers. While the value of the Naira has witnessed a continuous fall over the years, consumers have a "naira-constant perception" in terms of value; they must feel that the value of their naira remains the same over time with the service, quality and satisfaction derived from the products they buy. According to Weinstein (2012), CV represents the combination of service, product quality, image and price. Customer value encompasses the total experience of the customer regarding the firm, its products and services (Duncan, 2005). Quality service is vital to corporate success (McFarlane and Britt, 2007) and is closely associated with profits, cost savings, and market share (Ham, 2003). Price is an equally important component of customer value as service, quality, and image. It is through price that customers and firms express the presence of the other three elements in the SQIP model (Weinstein, 2012). From the perspective of consumer behaviour, customer values are divided into two, namely objective and rational behaviours (utilitarian value), and consumers who pursue more subjective, emotional, and symbolic aspects of consumption (hedonistic values) (Gallarza et al., 2016). Sweeney and Soutar (2001) divided customer value into four dimensions: ''(1) emotional value, meaning that the utility is sourced from the consumer's affective to the product or service.; (2) social value, showing the ability of the product to improve the concept of social self; (3) Functional value (price against

value for money), that is utility of the perceived product reduces short-term and long-term costs; and (4) functional value (performance to quality), suggesting that the utility of perceived quality and expected product performance in terms of speed, comfort and solution''. We summarise the conceptualisation of customer value in Table 1.

Table 1. Summary of Customer Value Perspectives

Theoretical underpinnings	Authors
Customer value from the perspective of customers Customer-perceived value (CPV) Customer transfer value (CTV)	 Holbrook (1996) Kumar et al. (2000)
Customer value from the perspectives of firms- customer lifetime value (CLV)	Berger and Nasr, (1998), Mihai and Salerno (2002)
Customer value from both customer's and firms' perspectives.	Kumar et al. (2000), Mihai and Salerno (2002)
SQIP Approach/model	Johnson and Weinstein (2004)
Consumer behaviour Utilitarian and hedonistic values Emotional, social, functional value (price against value for money) and functional value (performance to quality)	 Gallarza et al., (2016) Sweeney and Soutar (2001)

Source: *Authors 2024*

Customer value and its consequences

The relationship between customer value, satisfaction, and loyalty has been extensively explored in marketing literature, with the majority of scholars agreeing that customer value is critical to driving

business success (Johnson and Weinstein, 2004). However, recent research has uncovered some contradicting conclusions that require additional exploration. This literature review synthesises current research on these constructs, with a special emphasis on service industries in emerging nations.

Customer Value and Customer Loyalty

The majority of studies show that customer value and loyalty are positively related. Rahmidani et al. (2023) found a strong positive association ($\beta = 0.42$, $p < 0.01$) in their Indonesian study of retail consumers (N=97), indicating that perceived value strongly influences repurchase intentions. Abadi et al. (2018) found similar results in their research of GO-JEK customers in Makassar, with customer value accounting for 38% of the variance in loyalty indicators. Romdonny et al. (2018) extended on these findings, showing that different dimensions of value (functional, emotional, and social) have distinct effects on loyalty. Their study found that emotional value had the greatest impact ($\beta = 0.51$), followed by functional value ($\beta = 0.33$). These findings are consistent with Utami et al. (2016) previous study in the Indonesian service industry. However, Hasfar et al. (2020) found no significant link ($\beta = 0.12$, $p > 0.05$) in their research of banking consumers. This anomaly could be addressed by industry-specific characteristics or measurement difficulties, emphasising the need for additional research to reconcile these contradicting results.

Customer Value, Customer Satisfaction, and Customer Loyalty

Recent research has looked into the mediating role of customer satisfaction in the relationship between customer value and loyalty. Nainggolan, Soerjanto, Nurwati, and Neni Triana (2022) found that customer value promotes customer loyalty through customer satisfaction, implying that increased customer value improves customer satisfaction, which in turn improves customer loyalty. This perspective is consistent with past findings. According to Hu, Kandampully, and Juwaheer (2009), customer value positively predicts customer happiness, which is corroborated by Lam et al. (2004). This argument is supported by studies conducted in the restaurant business, which show that customer value promotes customer happiness (Cha and Borchgrevink, 2019; Souki et al., 2020). Hossain et al. (2020) emphasised that when customers believe a service is worth the effort, the relationship between customer value and customer satisfaction strengthens. Furthermore, Johnson and Weinstein (2004) argued that great customer value fosters organisational success and sustainability. Their findings highlight the critical role of customer value in ensuring long-term economic viability and competitive advantage.

The Mediating Role of Customer Satisfaction

Recent research has increasingly focused on the factors that mediate the relationship between value and loyalty. Nainggolan et al. (2022) found that customer satisfaction completely mediates the value-loyalty link (indirect effect = 0.37, $p < 0.001$). This study relies on previous research by Hu et al. (2009), who highlighted satisfaction as a significant mediator. The restaurant business is particularly supportive of this mediation relationship. Cha and Borchgrevink (2019) found that satisfaction mediated 72% of the total effect of value on loyalty in a study of casual eating restaurants in the United States. Souki et al. (2020) found a standardised indirect effect of 0.43 ($p < 0.01$) in Brazilian eateries. Despite substantial study into the relationship between consumer value and loyalty, gaps exist. The variations in the data, notably about the magnitude of the association, indicate the need for additional research into contextual factors that may moderate this link. Furthermore, additional study is needed to investigate industry-specific dynamics, as most studies concentrate on the transportation and restaurant industries.

3. METHODOLOGY

We used secondary data in this review article. Various databases, periodicals, and websites were utilised to gather information about customer value in general. Secondary data analysis can be used to increase knowledge in various domains by answering new research questions using quantitative, qualitative, or mixed methods data (Dugas et al., 2017), saving time and money on research costs associated with primary data gathering (Dunn et al., 2015).

Proposed Model

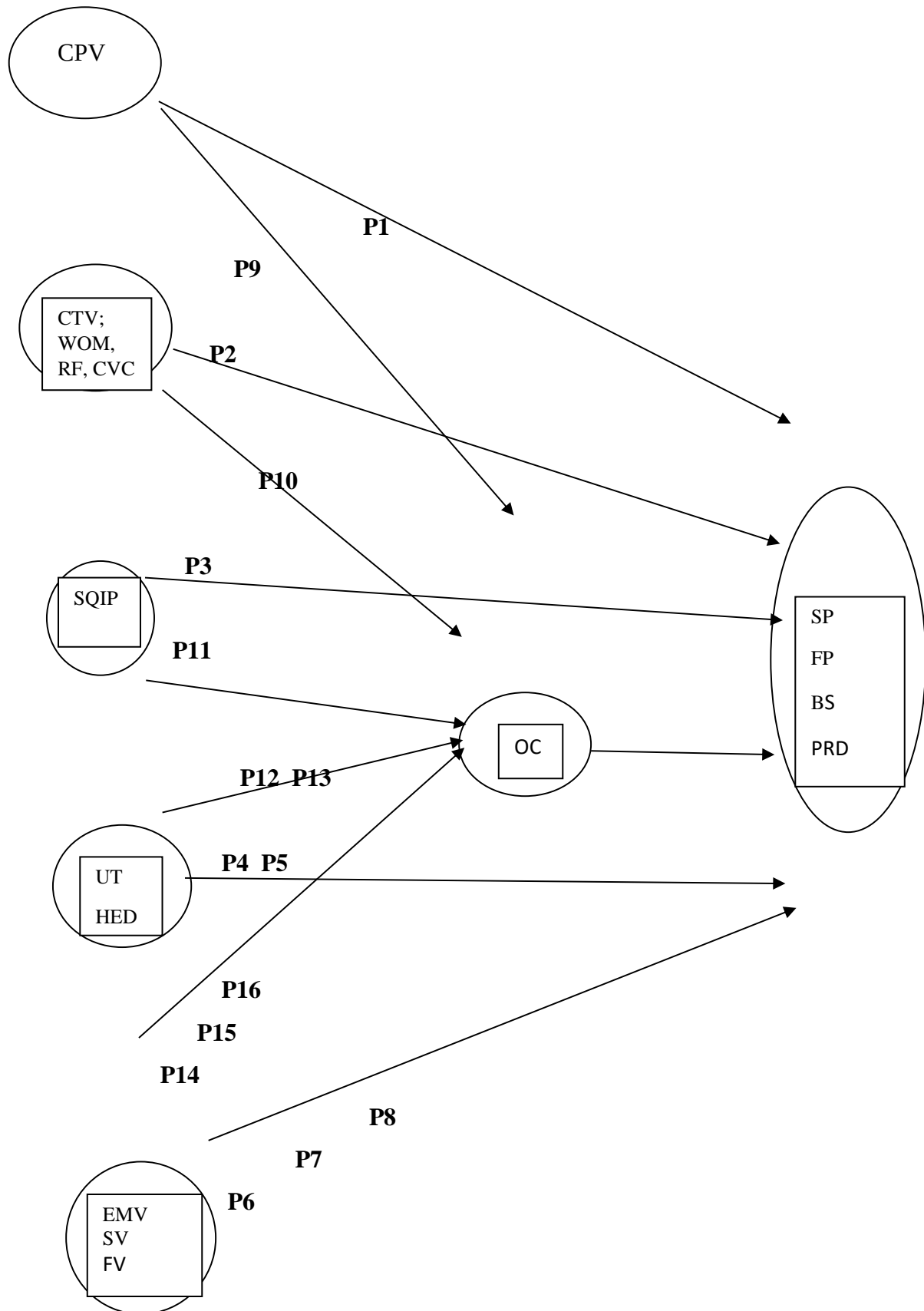Customer Value   Org. Outcomes

Figure 1. *Proposed model showing customer value, organisational climate and organisational outcomes nexus*

CPV- customer perceived value, CTV-customer transfer value, WOM-word of mouth, RF-referrals, CVC- customer value co-creation, S-service, Q-quality, I- image, P-price, UT- utilitarian, HED-hedonistic, EMV-emotional value, SV-social value, FV-functional value, OC-organisational climate, SP-strategic performance, FP-financial performance, BS-business sustainability, PRD-productivity

We argue that customer value will have both direct and indirect effects on organisational outcomes. As a result, companies that create value for their customers will achieve better organisational outcomes. Likewise, a robust organisational climate will facilitate customer value creation, which will have an impact on organisational outcomes. Consequently, the following propositions are offered for empirical evaluation in Nigeria.

P1. Customer perceived value will have positive and significant effect on organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity.

P2. Customer transfer value (word of mouth, referrals and customer value co-creation) positively impacts organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity.

P3. SQIP dimensions of CV are positively and significantly related to organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity

P4. Utilitarian value will have a positive impact on organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity.

P5. Hedonistic value will have a positive impact on organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity.

P6. Emotional value will have a positive effect on organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity.

P7. Social value will positively and significantly influence organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity.

P8. Functional value will have a positive and significant impact on organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity.

P9. Organisational climate will mediate the effect of customer perceived value on organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity.

P10. Customer transfer value (word of mouth, referrals and customer value co-creation) will positively impact organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity via organisational climate.

P11. SQIP dimensions of CV will positively and significantly influence organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity through organisational climate

P12. Organisational climate positively mediates the impact of utilitarian value on organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity.

P13. Organisational climate positively mediates the effect of hedonistic value on organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity.

P14. Organisational climate positively mediates the impact of emotional value on organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity.

P15. Organisational climate positively mediates the effect of social value on organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity.

P16. Functional value will have a positive and significant impact on organisational outcomes represented by strategic performance, financial performance, business sustainability and productivity via organisational climate.

To test these propositions, we recommend using Structural Equation Modelling SEM. SEM enables integrated analysis of complicated patterns of interactions among constructs in a conceptual model (Tarka, 2018).

4. DISCUSSION AND CONCLUSION

The literature review on customer value suggests a significant gap that needs to be filled especially in Nigeria. Previous studies on the subject focused primarily on the impact of CV on customer satisfaction and customer loyalty. Scholars ignored how CV shapes or impacts organisational outcomes such as financial performance, strategic performance, firm productivity etc. Furthermore, existing research is not grounded theoretically. The purpose of this paper is to review existing literature, identify gaps, and propose a future research agenda and conceptual model for empirical testing. Our proposed model will be built on the theoretical underpinnings outlined in Table 1. We argue that scholars should investigate CVs from multiple angles. Thus, we propose that customer perceived value (CPV), customer transfer value (CTV) (such as referrals, word-of-mouth promotion, value co-creation with customers), SQIP (service, quality, image, and price), utilitarian and hedonistic values, emotional, social, and functional value will all have a positive impact on organisational outcomes (such as financial and strategic performance, productivity, and business sustainability). Furthermore, we see some contradictions in the research; for example, Hasfar et al. (2020) found no significant influence of customer value on customer loyalty. As a result, we propose including organisational climate as a mediating component in our model. This may assist to explain the inconsistency in the literature. The proposed model is in Figure 1. The study employs the literature review method to provide insights into customer value literature. According to our findings, more research into customer value and its impact on organisational outcomes is required. In light of the literature, the authors suggested a conceptual model and sixteen propositions for empirical validation. This study is useful to both researchers and practitioners since it identifies areas that require further research. The current study presented propositions but did not empirically test them. Nonetheless, we believe that our study contributes to knowledge in the field of marketing and strategy by providing a conceptual model and identifying topics for further research.

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