

# THE IMPACT OF PERCEIVED VALUE ON CONSUMER SATISFACTION

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## ABSTRACT

A conceptual model is proposed that examines the relationship between perceived value and consumer satisfaction. The effect of expectations, desires, and perceptions of performance on perceived value and satisfaction are shown. Unlike most past models of consumer satisfaction, the impact of the sacrifices involved in a purchase situation is explicitly considered. Implications for future research are discussed.

## INTRODUCTION

Among the many issues of interest to researchers and practitioners are the customer's perception of value and customer satisfaction. While several authors have presented conceptual models of value perceptions (e.g., Monroe 1990; Zeithaml 1988), and others have examined the nature of customer satisfaction (e.g., Oliver 1980; Woodruff, Cadotte and Jenkins 1983; Churchill and Surprenant 1982), the question of the relationship between perceived value and satisfaction has not been specified. Perceived value is potentially of great importance since it may greatly alter the direction (satisfied or dissatisfied) and extremity of satisfaction/dissatisfaction experienced. This paper presents a conceptual model of the relationship between perceived value and satisfaction and discusses some implications for future studies of satisfaction.

Perceived value has often been described as involving a consumer's pre-purchase assessment of the ratio of perceived benefits and perceived sacrifices (Monroe 1990; Zeithaml 1988). Perceived value, in turn, leads to willingness to buy (Monroe 1990) or to purchase (Zeithaml 1988). The constructs in these models refer to *expectations* about the benefits that will be received and *expectations* about the sacrifices that must be made if purchase and use occurs.

Several questions not addressed in these models are: How do pre-purchase expectations influence post-purchase perceptions of value?

How do pre-purchase expectations influence satisfaction? And, how do post-purchase perceptions of value influence satisfaction? In the development of this model we assume that behaviors relating to choice among competing alternatives (e.g., brands or stores) have already occurred.

## PROPOSED MODEL

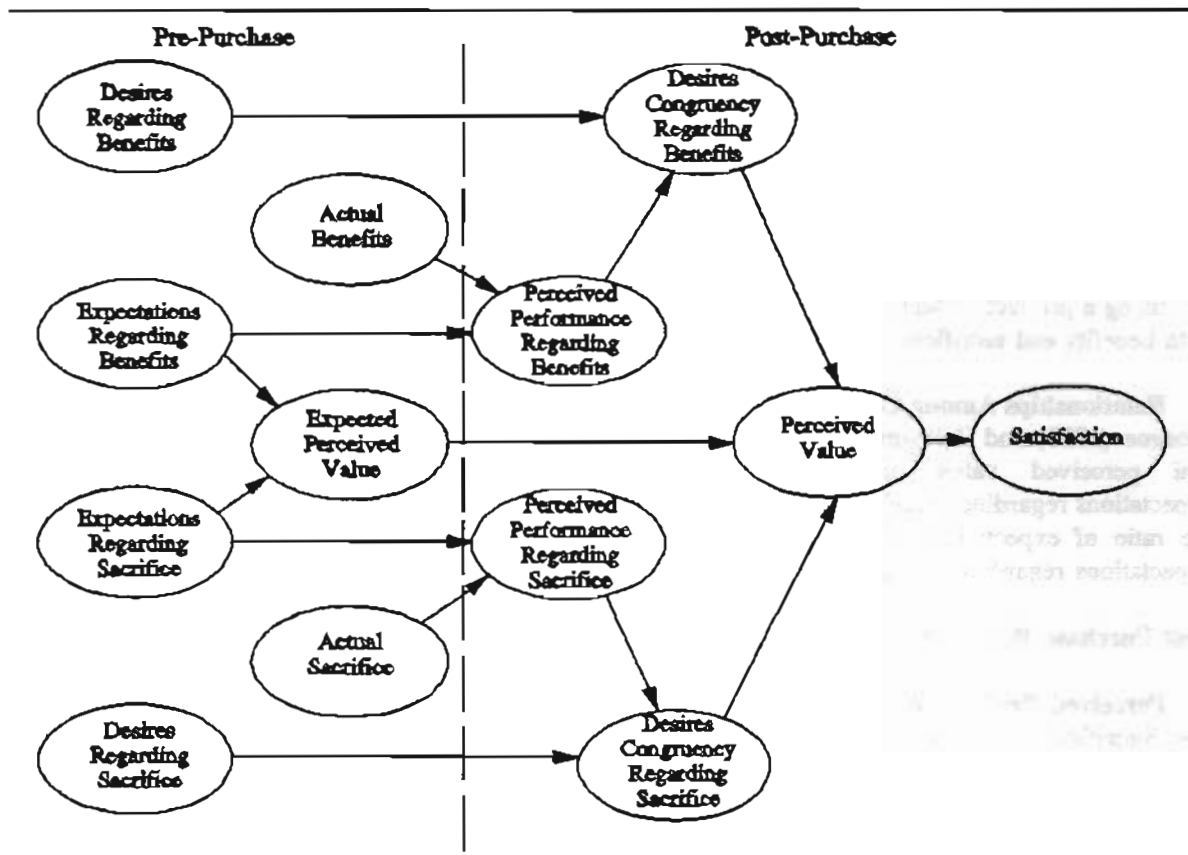
The proposed model is presented in the Figure. Please note that in the Figure pre-purchase behaviors are distinguished from post-purchase/use behaviors. The constructs and relationships involved in pre-purchase behaviors are described first.

### Pre-Purchase Behaviors

**Expectations Regarding Benefits and Sacrifices.** The term expectations can mean several things. Some researchers see it simply as a prediction of future performance (Olson and Dover 1979). Other researchers include the prediction and evaluation of the outcome (Oliver 1980), while another position refers to what the consumer wants or needs (Zeithaml, Parasuraman and Berry 1990). We use the term expectations in the limited sense of beliefs about the future performance of a product or service and beliefs about the future sacrifices one will incur during purchase and use of a product or service.

*Expectations regarding benefits* relate to one or to some combination of attributes of the product or service. Taken together, benefits are similar to the "utility" construct. *Expectations regarding sacrifices* can refer to a variety of costs including purchase price, preparation costs, usage costs, and repair costs. In addition, sacrifices can include nonmonetary costs such as psychological costs, time to purchase, time to prepare, time to use, and time to repair.

Figure



**Desires Regarding Benefits and Sacrifices.**

Desires refer to the level of performance the consumer wants (Olshavsky and Spreng 1989). The source of these desires is assumed to be the consumer's higher level values as described in means-end theory (Gutman 1982; Spreng and Olshavsky 1991). *Desired benefits* are outcomes of the product that lead to higher level values. For example, many consumers buy food that has the attribute "low in fat" to gain the benefit of "healthy food." This benefit is desired because it relates to a higher level value, such as "living a long and healthy life." *Desired sacrifices* refers to a preferred maximum loss, as it is assumed that consumers generally want to minimize sacrifices. In essence, desired sacrifices may be thought of by many consumers as being some maximum sacrifice (money, time, effort, etc.) that they would be

willing to make, regardless of the level of benefits they could receive. For example, consumers may have a price for a new car above which they will not go. Again, these desires with regard to sacrifices come from higher level values, such as having enough money to be able to buy other products to achieve other values. For example, many consumers have a relatively low level of desired sacrifice with regard to time, which flows from higher level values, such as desiring to spend time with one's family.

**Actual Benefits and Sacrifices.** *Actual benefits* relate to the objectively measured attributes and benefits of a product or service. For example, the quickness of a car can be measured in terms of the time it takes to accelerate from 0 to 60 miles per hour; this is determined under

controlled test conditions where elapsed time is measured with a stop watch. Similarly, *actual sacrifices* refer to the objectively measured costs of purchasing and using a product or service. For some products and services actual benefits or sacrifices may be difficult (if not impossible) to determine.

**Expected Perceived Value.** *Expected perceived value* refers to the consumer's anticipations concerning the outcome of purchasing and using a product or service taking into account both benefits and sacrifices.

**Relationships Among Constructs.** Following Monroe (1990) and Zeithaml (1988), we assume that perceived value (or more accurately expectations regarding perceived value) is based on the ratio of expectations regarding benefits and expectations regarding sacrifices.

#### Post-Purchase Behaviors

**Perceived Performance Regarding Benefits and Sacrifices.** *Perceived performance* refers to a consumer's assessment of the benefits and sacrifices in an "evaluation-free" manner. Evaluation-free means that the consumer assesses a product's or a service's attribute without evaluating the goodness of that characteristic. For example, a consumer can judge the quickness of an automobile on the basis of its performance using a stop watch or on the basis of its performance relative to other cars that the consumer has driven; but, this judgment is made without evaluating its goodness. To illustrate, two consumers may each judge a car to be "very fast," yet one may evaluate this quickness positively (i.e., exciting to drive) while the other may evaluate this quickness negatively (i.e., unsafe to drive). It should be noted that most "perceived performance" measures used in past satisfaction research have been strongly evaluative in nature. For example, many studies anchor items with "very poor" and "very good."

**Desires Congruency.** *Desires congruency* refers to the consumer's cognitive and affective reaction to the outcome of the comparison between *perceived performance* and *desires*.

**Perceived Value.** *Post-purchase perceived value* is defined in a manner similar to the definition of *pre-purchase perceived value*; however, *post-purchase perceived value* involves *desires congruency regarding benefits and sacrifices* (instead of *expectations regarding benefits and sacrifices*).

**Satisfaction.** *Satisfaction* refers to the consumer's affective reaction to the overall experience of purchasing and using a product or service.

**Relationships Among Constructs.** Following purchase and use, *perceived performance* is assumed to be determined by *actual benefits* and *actual sacrifices* as well as by *expectations regarding benefits* and *expectations regarding sacrifices*. *Perceived performance* is assumed to move in the direction of the pre-use expectations (Olshavsky and Miller 1972; Churchill and Surprenant 1982). The effect of expectations is assumed to be particularly strong for product outcomes that are difficult to judge.

*Desires congruency regarding benefits* is assumed to be determined by the outcome of the comparison between *perceived performance regarding benefits* and *desires regarding benefits*. Similarly, *desires congruency regarding sacrifices* is assumed to be determined by the outcome of the comparison between *perceived performance regarding sacrifices* and *desires regarding sacrifices*. (Olshavsky and Spreng 1989).

*Post-purchase perceived value* is assumed to be determined by the ratio of *desires congruency of benefits* and *desires congruency of sacrifices*. And, in addition, *post-purchase perceived value* is assumed to be influenced by *pre-purchase perceived value*. Finally, *satisfaction* is assumed to be determined by *post-purchase perceived value*.

#### DISCUSSION

Existing models of satisfaction have not explicitly addressed the role of perceived value. To date, most empirical tests of models of satisfaction involve a comparison between expectations (or some other standard) and perceived performance. As typically formulated

and operationalized, these models focus only on the "benefits" of using a product or service. While some researchers have included measures of disconfirmation regarding problems and disadvantages with using the product (Oliver 1980, 1987), we believe most models neglect an explicit consideration of the "sacrifices" involved. In our view, shortcomings, even severe shortcomings, in the benefits may be offset by perceived reductions in sacrifices such that a consumer who purchases and uses a product or service that does not meet his/her desires (re: benefits) *may still be satisfied*.

For example, a very low sale price may contribute to an overall feeling of satisfaction even though the product is not quite what the consumer wanted. Likewise, a consumer who purchases and uses a product or service that meets his/her standards may be extremely satisfied (e.g., be thrilled) if smaller (than desired) sacrifices are experienced. Our model may help to explain why some consumers are apparently satisfied with products and services that are inferior (objectively determined) or substandard even by these consumers' standards (e.g., certain generic brands, certain private brands).

We believe that future research and model development in the area of satisfaction should attempt to empirically study the role of perceived value because of its potentially large impact on the direction (satisfaction or dissatisfaction) and extremity of satisfaction.

In developing this model it became evident that a distinction must be made and maintained between two types of perceived value: 1) perceived value based on expectations (prior to purchase), and 2) perceived value based on perceived performance (after purchase and use have occurred). Moreover, we believe that post-purchase perceived value may be influenced by pre-purchase perceived value. We expect that this influence may be particularly strong whenever benefits or sacrifices (or both) are difficult to judge, even after purchase and use. For example, vitamins purchased on the basis of a retailer's ad that touts the "great value" of the retailer's private brand may actually succeed in forming a perception of "great value" following use because the consumer is unable to accurately evaluate the actual benefits and sacrifices involved.

While expectations have been criticized in

recent years in the satisfaction literature, our model makes clear that consumer expectations play at least two important roles in the determination of satisfaction. First, expectations regarding benefits and sacrifices are assumed to play a critical role in the consumer's decision to purchase and to use the product or service (Olshavsky and Spreng 1989). Consumers must believe that the product or service will provide a certain level of benefits or value before they are willing to consider purchasing and using it.

Second, expectations may influence the consumer's perceptions of product performance. When consumers are unable or unwilling to judge product performance, expectations may play a very major role in this judgment process.

Although not portrayed in the model, a third possibility is that expectations may influence satisfaction with the purchase/use experience in that consumer "overall satisfaction" may be determined in part by processes relating to *satisfaction with the information* that served as the basis for the formation of expectations regarding benefits and sacrifices. For example, a consumer that expected a product to perform in a particular manner and, following purchase/use, discovers that the product performed more poorly will be dissatisfied with the product (largely because the product was purchased and used and it did not meet or exceed his/her desires). But this consumer's dissatisfaction may be due in part to dissatisfaction with the information on which the expectations were formed; i.e., this obtained information did not meet at least one of the consumer's desires with respect to information (namely, validity). Hence, overall satisfaction is assumed to be determined by satisfaction with the product *and* by satisfaction with the information (Olshavsky and Spreng 1989).

While our model explicitly includes two important influences of expectations, we purposely chose to use desires as the standard for comparison rather than expectations. The many problems associated with the disconfirmation of expectations model have been amply described elsewhere (e.g., LaTour and Peat 1979; Spreng and Dixon 1992; Westbrook and Reilly 1983; Woodruff, Cadotte and Jenkins 1983). However, to highlight these types of problems, and show how the current model addresses some of these problems, consider

the following example. Assume that a consumer chooses to go to a large supermarket knowing that the store has a wide assortment, very low prices, but also tends to have long lines. In making the decision to patronize this store, it appears that the consumer is willing to trade off time spent standing in line (an expected non-price sacrifice) for both large selection (an expected perceived benefit) and lower prices (an expected perceived sacrifice). Thus, the consumer expects the store to provide a higher level of value than other alternatives. After completing the shopping, the consumer must now stand in line. And exactly as expected, the lines are long. This frustrates the consumer, and he/she is very unhappy with this part of the experience. Note that the length of wait is what was expected -- which are predictive expectations -- and may be exactly what experience with similar grocery stores have told the consumer is normal -- which are experience-based norms (Cadotte, Woodruff, and Jenkins 1987).

The above example demonstrates a problem that was originally identified by LaTour and Peat (1979) with the disconfirmation of expectations model: if a consumer expects poor performance, and subsequently receives poor performance, then he/she should be satisfied or at least neutral. This obviously is incongruous with human experience. Satisfaction clearly cannot result simply from the disconfirmation of expectations and performance.

While the consumer expects the lines to be long, the level of performance does not match what the consumer wants. As has been suggested (Olshavsky and Spreng 1989; Spreng and Olshavsky 1991) and empirically shown (Barbeau 1985; Spreng, MacKenzie and Olshavsky 1992; Spreng and Olshavsky 1993) desires congruency is an important antecedent of satisfaction. The assessment of desires congruency can be made with regard to the benefits delivered and the sacrifices (monetary and non-monetary) made. As a further example, this process explains how a consumer can pay exactly what was expected, but still be unhappy or dissatisfied with the price, if the price is more than was desired.

The model extends past research suggesting a link between desires congruency and satisfaction by including the impact of monetary and non-monetary sacrifices. While past research examining the comparison of desires with

performance (Spreng, MacKenzie and Olshavsky 1992; Spreng and Olshavsky 1993) shows that desires congruency influences satisfaction, sacrifice was not tested.

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