An Examination of Two Dimensions of Customer Perceived Value in Banking Services

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ABSTRACT

Perceived value is found to be a multidimensional construct composed of five dimensions: functional value of the establishment, functional value of the personnel, functional value of the service, functional value price and emotional value. A scale of overall perceived value in banking services was obtained, composed of five dimensions and represented by 19 items that are significant for their measurement. Questionnaires were distributed and self-administered to 265 respondents of Refah Bank in IRAN. T-test analysis and Pearson Correlation were used in this study.

KEYWORDS: Functional value, Emotional value, banking, perceived value.

1. INTRODUCTION

In the last ten years there have been important changes in the business of consumer financial services [1]. The main characteristic that has marked the evolution of the financial system has been increased competition in the sector. The banking business has undergone changes in the regulation of the sector, changes in consumers' demand for services, technological changes, and the entry of new competitors from businesses outside banking [2]. Due to this, an increasingly open and competitive framework has been formed, in which many financial entities are beginning to be concerned to develop defensive strategies in order to avoid in discriminate loss of customers firms should strive to maintain long term relationships with their customers in order to obtain the advantages of a clientele loyal to the firm [2]. However it is necessary to work with perceived value when putting into practice a relationship marketing approach, which consists of creating, maintaining and growing long term relationships in order to benefit from customers' loyalty and participation [2].

The objective in this study we examine functional and emotional value in Refah bank branches in Iran, because identifying these factors are very important for competing with other competitors.

LITERATURE REVIEW

Since the early 1980s, the concept of customer perceived value in marketing area has gained its importance [2]. Companies must be focus for gaining the profit [2]. Firms should strive to maintain long term relationships with their customers in order to obtain the advantages of a clientele loyal to the firm [2]. However it is necessary to work with perceived value when putting into practice a relationship marketing approach, which consists of creating, maintaining and growing long term relationships in order to benefit from customers' loyalty [1]. Delivering superior value to customers is indisputably a main task for service firms in today's competitive marketplace [2]. Companies with a superior ability to provide a service product that customers perceive as valuable will incur an important Competitive advantage [2]. Finding from perceived value studies can be translated into marketing strategies, promotional strategies and market segmentation, because consumers' perceptions provide direct input for service development [2, 3]. Some of the most commonly used definitions for customer value can be seen in Table 1.

Table 1: Definitions of Customer Value [8, 9]

zeithaml (1988)	**"Perceived value is a customer's overall assessment of the utility of a product based on perceptions of what is received and what is given"[4].**
Gale (1994)	"Customer value is market perceived quality adjusted for the relative Price of your product. [It is] your customer's opinion of your Products (or services) as compared to that of your competitors."[5]
Holbrook (1994)	Customer value is "a relativistic (comparative, personal, situational) Preference characterizing a subject's [consumer's] experience of interacting with some object... i.e., any good, service, person, place, thing, event, or idea."[6]
Woodruff (1997)	Customer value is a "customer's perceived preference for and evaluation of those products attributes, attribute performance, and consequences arising From use that facilitate (or block) achieving the customer's goals and purposes in use situations."[7]

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Value:
Value determined as a consequence of demand was conceptualized in 1871 by Carl Menger of the Austrian School of Economic Theory [9, 10]. Menger detailed the subjective basis of economic value, the theory of marginal utility (the greater the number of units of a good that an individual possesses, the less he will value any given unit)[9]. Value is then determined by demand side characteristics, rather than value determined by cost of production [9]. These economic theories come from the neo-classical school of economics and are based on the assumption of a "perfect" market place of "rational economic" individuals who form an aggregate of demand [9]. They do not explore the actual drivers of customer demand and so ignore the effect of changing customer demand and it's affect on the marketplace, which are concepts which emanate from the behavioral school of summarizes the current marketing literature on marketing identifying four themes [9].

Functional value:
Functional value is based on the utility acquired by satisfying a simple physiological need. Functional value was long considered the only value dimension since it is the basis for the standard economic theory and therefore for the rational economic man or *homo economicus* [9, 11]. Sheth et al. view reliability, durability and price as components of functional value [9,12] .The others argued, that since reliability and durability are components of quality and thus have a positive effect on perceived value, they should be measured separately from price, which has a negative effect on perceived value[9].

A product's or service's functional value may be derived from its characteristics or attributes, including reliability, durability, and price, and is measured through a profile of choice attributes. Traditionally, functional value is presumed to be the principal driver of consumer choice. This assumption is predicated on Stigler's economic utility theory and is popularly expressed in terms of the rational economic man. It can be measured in either monetary or functional terms [9].

2-3- Emotional value;
Emotional value represents the perceived utility acquired, when the good feelings or other affective states arises. Nearly all kinds of products cause emotional feelings to arise. For example, seemingly utilitarian products such as foods, are often associated with childhood experiences and memories of their taste. In more hedonistic categories, such as cars, the emotional value elicited by different brands is usually even greater [8, 9].

The affective dimension captures the feelings or emotions generated by the products or services. This affective dimension is formed by an emotional component, relating to internal emotions or feelings; Emotional value (experiential value) is the perceived utility of a product based on the feelings or affective states. The emotional value of a product is derived from specific feelings that a customer associates with it.

2-4- Customer perceived value
Perceived value is the essential result of marketing activities and is a first-order element in relationship marketing.[13,14,15,16,17]. Customer perceived value is defined as "the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given" [18,19] Some researchers tested, the most dominant factor affecting customer satisfaction of the mobile phone services on customer perceived value[19].They found positive relationship between customer satisfaction and customer perceived value.
The others examined impact of perceived value on word of mouth endorsement and customer satisfaction exploring a mediating role of repurchase intentions [17, 20].Some researchers investigated positive impact between customer perceived value and word of mouth [17].

Customer value is a "customer's perceived preference for and evaluation of those products attributes, attribute performance, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations"

Customer perceived value becomes a customer-directed concept. It is this perception of the customer's view of what is created and delivered that should be determined and taken into account when the organization defines its value offering. Customer perceived value as an: "interactive relativistic preference experience" [6]. The importance of being able to offer high quality experiences, which are meaningful to customers, is unquestionable.

3- Conceptual model and Hypothesis
According to above literature review we proposed these hypotheses:
H1: There is a significant and positive relationship between of Functional value of the establishment and customer perceived value.
H2: There is a significant and positive relationship between Functional value of contact personnel (professionalism) and customer perceived value
H3: There is a significant and positive relationship between Functional value of the service purchased (quality) and customer perceived value

H4: There is a significant and positive relationship between Functional value price and customer perceived value.

H5: There is a significant and positive relationship between emotional value and customer perceived value

As above hypotheses we proposed this conceptual model. (Figure1)

Figure1: Conceptual model
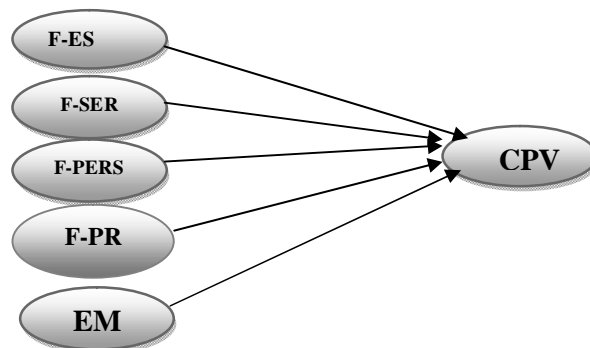
Note:
F-ES: functional value of establishment
F-SER: functional value of service quality
F-PERS: functional value of personnel
F-PR: functional value price
EM: emotional value
CPV: customer perceived value

4- METHODOLOGY

To measure dimensions of value on customer perceived value in banking services, in this research was used 19-items questionnaire developed [10].Consequently 19-items scale was taken into account for customer perceived value. Functional value of the establishment (4-items), Functional value contact personnel (professionalism) (4-items), Functional value of the service purchased (quality) (4-items), functional value price (2-items), Emotional value (5-items). For determining reliability and validity of the questionnaire in this research, Cronbach's alpha is used. Construct measured with a five point Likert scale ranging from **1** (strongly disagree) to **5** (strongly agree)..The questionnaire contains factors influencing on perceived value in banking sector. The survey was carried out on a random sample of 265 customers of Refah Bank branches.

The survey has been distributed in Tehran city. A total of 265 usable questionnaires were returned for data analysis via SPSS version 16. For internal reliability, Cronbach's alpha coefficients were calculated for all items of each construct. The obtained Results demonstrate the reliability of the all the scales considered. The value of Alpha Reliability for the instrument used came out more than .7 showing a strong internal consistency for the tool used. Cronbach's alpha of constructs for Functional value of the establishment: 0.86, Functional value contact personnel (professionalism): .79, Functional value of the service purchased (quality): .78, Functional value price: .71, Emotional value: .73.These results are shown in Table I.

The data used to test the hypotheses were collected by means of a Likert five-point scale questionnaire distributed to customers of banking services in Refah Bank in Iran. T-test is an appropriate for hypothesis testing then researchers used Pearson correlation to test independent variables that influenced customer perceived value and to test if a relationship existed between the independent and dependent variables.

Table 1. Reliability Analysis dimensions of Customer perceived value

Variable	Cronbach's Alpha
Functional value of the establishment	0.86
Functional value contact personnel (professionalism)	0.79
Functional value of the service purchased (quality)	0.78
Functional value price	0.71
Emotional value	0.73

5- Conclusion

The objective of this study was to investigate dimensions of customer perceived value in banking services. There were five dimensions of value that were tested by the researchers through the questionnaires distributed to respondents these dimensions were functional value of the installations or establishment; functional value of the

contact personnel; functional value of the service (Quality); functional value price; and Emotional value that based on the discussion in section of Research Hypotheses. The five hypotheses suggested. The proposed hypotheses were tested using T-test and Pearson correlation was used in this study. As indicated in Table 2 and Table3, there is a positive relationship between functional value of the establishment, contact personnel, service quality, value price on customer perceived value in banking services but Emotional value have not a positive relationship on customer perceived value.

Table2: Correlations between dimensions

Table 3: Results of Hypotheses Test

Factors	p-value	Result Testing
Functional value of the establishment	0.001	supported
Functional value contact personnel (professionalism)	0.000	supported
Functional value of the service purchased (quality)	0.000	Supported
Functional value price	0.000	Supported
Emotional value	0.658	Not supported

Limitation and future research

The limitation of this study is location, as we analyzed a very particular area and it would be important to carry out research in other places and different culture to confirm the results obtained in this study. It is highly recommended for future research to expand the span of factors that affects customer perceived value and as well as to study other services or other products in order to get an in depth and more clear picture

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Apendix1: Questionnaire items (Fandos Roig, et al, 2006)

Functional value of the establishment (installations)

1- The installations favor the confidentiality and the

Privacy of dealings

2- It seems tidy and well organized

3- The installations are spacious, modern and clean

4- It is easy to find and accessible

Functional value contact personnel (professionalism)

5- The personnel know their job well

6- The personnel's knowledge is up to date

7- The information provided by the personnel has

always been very valuable to me

8- The personnel have knowledge of all the services

Offered by the entity

Functional value of the service purchased (quality)

9- The service as a whole is correct

10- The quality has been maintained all of the time

11- The level of quality is acceptable in comparison with

Other entities

12- The results of the service received were as expected

Functional value price

13- The payment of interest or commission is fully

Justified

14 -The service is good for the expense it causes me

Emotional value

15- I am happy with the financial services contracted

16- I feel relaxed

17- The personnel give me positive feelings

18 -The personnel don't hassle me

19- In general I feel at ease