CREATING VALUE THROUGH CUSTOMER RELATIONSHIPS IN THE SERVICES SECTOR

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DECLARATION

I, Hisham Allie, hereby declare that the content of this dissertation represents my own unaided work, and that the dissertation has not been previously submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Nelson Mandela Metropolitan University.
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ABSTRACT

Many academic studies in the past have focussed on how to create value for businesses in terms of adding profit to the bottom line through performance, and many argue that adding value for the client is also viewed as a profitable business strategy. This strategy translates as a win-win business relationship since long-term relationships ensure customer loyalty, customer retention and repeat business. In the services sector, it is difficult to quantify the worth or value that a particular service has since services are intangible products. The perception of value of such a service is known as “perceived value” since value recognition rests with the consumer who attempts to quantify the worth of that service. It is generally accepted in the services sector that establishing long-term, mutually beneficial, meaningful business relationships add value for the client and helps them to attach a value to the services that company provides. A company cannot establish such relationships without the help of its employees who represents the face of the organisation and implements the value adding strategy on the organisation’s behalf. Recent studies have begun to address this, examining value creation in business relationships in the context of the sale of tangible goods.

The process of value creation for customers in services relationships remains under-researched. Perceived value explains why customers choose one particular service over another, why service companies gain competitive advantage by maintaining genuine long-term customer relationships, and why “the personal touch”, created through emotional attributes such as trust, caring and empathy, adds value from customers’ perspective. This dissertation presents a study of perceived value from the perspective of the customer within the context of the delivery of a credence product in a services relationship model. Using grounded theory methodology; following in-depth interviews with consumers of
general insurance, a number of customer-value creation dimensions for businesses have been identified. Parallel interviews with members of staff from the supplier company add a further perspective. This research demonstrates how organisations or suppliers in the services industry can add value when delivering a credence product in a services relationship context. It is believed that an understanding of the value-adding dimensions can be implemented to create opportunities to build value for customers, with commensurate benefits for suppliers.

Following analysis of the interviews held with each buyer, a total of six value dimensions are identified in the findings chapter. Each dimension is individually described, discussed, and illustrated with quotations from customers and supplier’s staff. Other issues relating to value arising from the interviews are examined in the discussion chapter. Three areas for further research are proposed in the conclusion.

**Keywords:** Perceived Value; Loyalty; Worth; Trust; Service Relationship; Value Dimensions or Value Drivers.
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CHAPTER ONE: INTRODUCTION

1.1 Introduction

Current business marketing focus reflects the move away from transactional selling to customers, in preference for “managing relationships”. (Christopher, Payne and Ballantyne, 1991; Webster, 1992; Grönroos, 1994; Grönroos, 1995; Gummesson, 1997). Management of customer value is now seen as the next source of competitive advantage. (Slater and Narver, 1994; Woodruff, 1997).

Increasingly, in today’s business markets, a growing number of companies develop closer relationships with their suppliers to counter the pressure of increasing competition (Anderson and Narus, 1998; Morgan and Hunt, 1994). The closeness of the relationship can move into jointly creating value through partnering and networking (Ulaga, 2001).

Some goods and services, due to their technical complexity, can only be delivered within the framework of a relationship. “Credence goods”, a description first used by Darby and Karni, (1973) are goods and services sold within a relationship where it is the seller who determines the consumer’s requirements, making the role of the seller essential to value creation for the customer.

In an operational context, when customers are in such an asymmetric relationship, they rely on their supplier to provide the most effective product or service offer, and to price it at a level which is comparable to other suppliers in a marketplace. Direct comparisons with competitors, in this context, can be difficult.
When customers have to trust the supplier that the efficacy, pricing, and product design, all represent the best available for their business needs, the salesperson is frequently, because of their closeness with customers, central to the creation of value (Levitt, 1983). In these asymmetric relationships, customers rely on trust and commitment, to justify their buying decisions (Anderson and Weitz, 1992; Doney and Cannon, 1997; Moorman, Deshpande and Zaltman, 1993; Morgan and Hunt, 1994).

Sellers of a service face “loyalty objections” when making a call to a potential customer for the first time. When the service provided is a regular one, a strong relationship has been built up between the existing supplier and the buyer resulting in buyers rejecting the new supplier on the grounds of loyalty to their existing provider (McDonald and Leppard, 1988).

General insurance is a textbook example of a credence good (Nelson, 1970), where the customer relies on the activity of the seller to design and explain the product which the seller is proposing, and largely makes the purchasing decision on the advice of the seller. Value is created for the customer by the nature of the relationship with the seller.

General insurance policies are annual contracts covering material damage risks, liabilities, and vehicles. They are generally regarded by business customers as a grudge purchase (Clarke, 2001), a necessary evil, an overhead, which does not contribute towards wealth creation.

This position can be aggravated by the compulsory nature of the purchase itself. Businesses that employ staff or run motor vehicles require insurance cover as a legal requirement. If they secure assets with a lender, they will be required to protect those assets with an insurance policy. Compulsion aside, business prudence similarly dictates that a business
assesses its risk profile and protects against insurable losses and liabilities.

The purchaser of insurance buys a contract, the performance of which hinges on the delivery of a promise to pay within a defined set of circumstances. If a claim on the policy is not made through the period of insurance, the customer will have paid a premium, and received nothing tangible in return for it. The mechanism which enables the customer to recognise and receive value from a product, which the customer may not understand or actually use in a tangible way, is not fully understood.

This dynamic creates an environment where the most important part of the delivery of value of general insurance is the strength of the relationship between the intermediary and the customer. Business insurance distribution is based on a relationship model rather than a series of unconnected transactions.

Rationalisation in insurance distribution channels have resulted in a reduction of intermediaries. This process may be abandoning the very part of their service offering which generates value for their customers and suggests that companies are focused internally on driving down cost, and not externally, on value generation for their customers. This is based on the belief that lower premiums (supported by lower costs) is the part of their offer which customers value. “Knowing where value lies from the standpoint of the customer has become critical for managers, because greater levels of customer satisfaction lead to greater levels of customer loyalty and retention, positive word of mouth, a stronger competitive position, and, ultimately, higher market share” (Ulaga, 2001).

Whilst competition on the basis of price alone may be sustainable by those insurance companies which have a low cost base, it will not be sustainable by all companies. “The
means of customer retention is via the development, communication and delivery of value propositions that meet or exceed customer expectations. Value propositions are those multi-faceted bundles of product, service, price, communication, and interaction which customers experience in their relationship with a supplier. It is the customer’s perception of the proposition that is important and not the supplier’s. A supplier may believe it has a service advantage; if the customer fails to agree, then this is not a source of value.” (Buttle, 2000).

This study will examine customer perceived value within a relationship context in the context of general insurance. Understanding the value drivers of the relationship from the customer’s perspective can enable companies to build clear points of differentiation in an increasingly commoditised market.

1.2 Statement of the Research Problem

The marketing focus has moved away from managing transactions to managing relationships. Understanding how customers build their perception of value in a service relationship is essential if suppliers are to reliably deliver a proposition which is perceived by their customers as having value. The lack of research in this area represents a significant gap of knowledge which this study seeks to address.

1.3 Hypothesis

Organisations or suppliers in the services industry can create and build value for customers when delivering credence products through establishing service relationships, with commensurate benefits for suppliers.
1.4 Delimitations of the Study

The study will take a broad look at value creation within a service relationship context in the general insurance sales sector. The study will be limited to a group of eleven buyers of general insurance and ten members of staff and management of insurance companies and brokerages and will attempt to investigate current trends regarding value creation through service relationships in the general insurance business arena.

The study is furthermore limited to Cape Town and surrounding areas with interviewees located within 20kms of the insurance company’s Central Business District Head Office.

1.5 Assumptions

It is assumed that the sample group of staff member participants chosen for interviewing are experts in their field, thereby establishing credibility, validity and reliability of the data collected. It is also assumed that staff members are competent enough to be representative of the general insurance industry and therefore findings can be deduced in areas where common circumstances exist.

1.6 Definition of Terms

Credence Good - Goods and services sold within a relationship where it is the seller who determines the consumer’s requirements, making the seller’s role critical in creating value for the consumer (Darby and Karni, 1973).
Customer Perceived Value - (CPV) is the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering relative to perceived alternatives (Wikipedia, 2007).

General insurance policies - Annual contracts covering material damage risks, liabilities and vehicles (Clarke, 2001).

Insurance premium – Payment for insurance (Die.net, 1996).

Value Proposition - Multi-faceted bundles of product, service, price, communication and interaction which customers experience in their relationship with a supplier. A customer value proposition consists of the sum total of benefits a customer is promised to receive in return for the customer's associated payment (or other value transfer). In simple words: value proposition = what the customer gets for what the customer pays (Wikipedia, 2007).

Customer Value - The term customer value has many meanings (Woodall, 2003), but two dominate - value for the customer (customer perceived value or customer received value) and value for the firm (value of the customer, now more commonly referred to as customer lifetime value) (Colgate and Smith, 2007).

Service Relationship - Transactional business relationship where the seller is trusted and expected to provide the best advice to the buyer based on his knowledge and experience.

Customer Value Driver/Dimension - A driver or dimension that adds value for the customer in a service relationship. In this study the terms value driver and value dimension will be used interchangeably.
1.7 Abbreviations

CPV - Customer Perceived Value

1.8 Importance of the Study

The process of value creation for customers in services relationships remains under-researched. The study of customer perceived value in the context of a service relationship is restricted to a few academic papers. Because the focus of marketing in business is moving toward managing relationships, a thorough grasp of how customers build their perception of value in a service relationship is key if suppliers are to deliver a proposition which is perceived by their customers as being valuable. Further research into this field is therefore necessary in order to fully understand this process and its implications.

This research seeks to address how value for customers is created in services relationships by examining reasons why customers prefer one particular service provider over another, whether service companies gain a competitive advantage by maintaining genuine long-term customer relationships, or whether “the personal touch” through emotional attributes such as trust, caring and empathy adds value in the eyes of the customer.

The lack of research in this area represents a significant gap of knowledge which this study seeks to address.
CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

The literature review examines the multidimensional concept of value perception, and how business customers in a service marketing relationship context perceive value. The timing of this work is appropriate since “academic research currently is undergoing a paradigm shift from transaction marketing to relationship marketing” (Ulaga, 2001) in which context “the value concept is considered as a fundamental constituent of relationship marketing.”

2.2. Perspective of Value

The word “value” has an all-encompassing nature stemming from its semantic vagueness which can allow it to have different meanings to different people. Each individual or stakeholder will have their own perception of what “value” means to them and will usually define their understanding of the term from their own position. In this way, a customer and a shareholder of a particular business, when listening to a speech about the business “delivering value”, will hear the same words but construct entirely different meanings. The shareholder may think “delivering value” means returning a high dividend from large profits, whereas the customer may think that he or she will get lower prices and more benefits. Both parties may leave the engagement satisfied.

The term value is commonly applied to supply side characteristics, such as the financial worth of a customer to a company. “Customer Lifetime Value” is a mainstay marketing concept (Berger & Nada, 1999). It is less commonly applied to the demand side qualities observed or experienced by customers and consumers.
Woodall, (2003) dates the start of “serious consideration” of value as perceived from the perspective of the customer (the demand side), as a concept, from the work of Holbrook and Corfman, 1985; and Zeithaml, 1988. The lack of conceptual frameworks to measure demand side value perception is explicitly observed in the work of Parasuraman, 1997; and Woodruff, 1997.

There is no consensus about what to name demand side value for the customer. “Customer value” is the most commonly used term (Anderson and Narus, 1998; Dodds, 1999; Holbrook, 1996; Woodruff, 1997), “perceived value” (Lil-jander and Strandvick, 1992; Patterson and Spreng, 1997), and “value” (Berry and Yadav, 1996; De Ruyter, et al, 1997). Other terms are also used, including consumption value, value for the customer, customer perceived value, consumer value, perceived customer value, buyer value, service value, subjective expected value, perceived value for money, net customer value, perceived service value, consumer surplus, and expected value. (Woodall, 2003) Throughout this work, customer value will be referred to as “customer perceived value”, and shortened by the use of the acronym CPV.

2.3 Defining Value

The study of “value” can be traced back as far as Ancient Greece when philosophers developed concepts of “pleasure” and “pain” within a context of a moral code. They determined a loose framework within which objects were perceived to have value by merely existing (intrinsic value) and also through the properties an object displayed (external value). Value was (and often still is) expressed in metaphysical terms making its calculation and measurement profoundly difficult (Zimmerman, 2004).
The philosophical study developed into a political economic framework in the eighteenth century with the work, amongst others, of Adam Smith, David Ricardo and Karl Marx who, reflecting the age they were writing in, examined value as an intrinsic characteristic of products (rather than services). Smith measured value in terms of the labour (time) that it took to create a product resulting in a measure of intrinsic value (Exchange Value Theory). (Zimmerman, 2004).

Value determined as a consequence of demand was conceptualised in 1871 by Carl Menger of the Austrian School of Economic Theory. Menger (2004) 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). Value is then determined by demand side characteristics, rather than value determined by cost of production.

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. 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 behavioural school of economics (Fischer, & Dornbusch, 2003).

Ulaga (2003) summarises the current marketing literature on marketing identifying four themes. Value is a subjective concept (Kortge & Okonkwo, 1993) which can be conceptualised as a trade off between benefits and sacrifices (Zeithaml, 1988). Benefits and sacrifices can be multifaceted (Grisaffe & Kumar, 1998) and perceptions are relative to competition (Gale, 1994). These themes will be examined in detail in this literature review.
2.4 Measurement of Value

Pleasure and pain, are core concepts in the consideration of value. In a business context, “pleasure” can be described as a benefit to a customer, and “pain” as a cost or risk incurred. The totality of the terms “benefits” and “sacrifices”, are multi-faceted (Grisaffe & Kumar, 1998), each component will individually will have their own measurement scale.

Woodhall chose the term ‘Value for the Customer’ (VC) to represent all notions associated with the demand-side of value. This was done to distinguish value derived for the customer from value derived for the supplier (or what is also referred to as Customer Lifetime Value). Figure 1 identifies similar value-based components to those suggested by Kotler and Turner as relating to the ‘value proposition’ (more of which later) reproduced in}

Fig. 1 Benefits and Sacrifices – Diagrammatic Form - (Woodall, 2003)
LaPierre and Deneault (1997). Any perceived marginal increase on the benefit side, or decrease on the sacrifice side of the balance, results in an increased value proposition for the customer (Woodall, 2003).

At its simplest, transactional value is expressed (Zeithaml, 1988) as:

\[
\text{Value} = \text{Benefits} - \text{Sacrifices}
\]

Ravald & Grönroos (1996) propose measures which account for the wider relational context:

\[
\text{Total episode value} = \text{Episode benefits + relational benefits} - \text{Episode sacrifice – relationship sacrifice}
\]

\[
\text{Customer Perceived Value (CPV)} = \text{Core solution + Additional services} - \text{Price + relationship costs}
\]

Customer Perceived Value (CPV) = Core Value + or – Added Value

Supporting this model is the underlying assumption that there is a linear relationship between the attributes of a product and its price. Study of this assumption is not conclusive. Garvin identifies two bodies of literature (Garvin, D A, 1988). The first takes a classical economist’s view that customers have access to enough information to determine a balance between attributes and price. The second school of thought is based on a marketing approach, and recognises the asymmetry of some markets. When customers do not have
enough explicit information to measure attributes, they rely on other clues to determine value from a product offering, such as branding, advertising, and packaging. Price however, if it is (just) the amount that a customer is prepared to pay for a bundle of features, is only a measurement of the exchange value of the features. If value if perceived as a positive attribute, then in the balance 1:1 good value must be something more, and poor value something less. In this way, a scale can be determined giving a relative score for value against which similar offerings can be compared.


This framework shows degrees of value, both high and low, set against a gradient of customer satisfaction. Placing the position of a product (from a customers perspective) within the model allows a business to adjust its pricing up or down, or re-design the product with more or less features, until the offering sits on the gradient of customer satisfaction.
satisfaction. When this is achieved, maximum margin from the product is delivered to the business. The measure can also be used to plot moves in strategic product positioning.

2.5 Perceptions of Value

Perceptions of value are determined in part by a ‘reference price’ that is determined by surveying the market (Grewal, Monroe and Krishnan, 1998), consequentially, it is not possible to determine value in the absence of a comparator (Gale, 1994). Where customers are in a long-term buying relationship with only one supplier, the absence of a comparator with which to compare the supplier’s offer can make evaluation of value difficult.

Customers then, need to gather information from other sources to confirm, or not, their established perceptions. Generally comparisons are made with a similar product offering where a close comparison of price and benefits can be made.

Customers have a price range in mind that impacts upon their perception of value. Too high a price symbolises non-affordability and consequently zero value; too low a price signals poor quality and the likelihood of zero value (Grewal, Monroe and Krishnan, 1998; Dodds, 1999; Ravald and Grönroos, 1996; Liljander and Strandvick, 1992; Patterson and Spreng, 1997).

A service firm may win by delivering consistently higher-quality service than competitors and exceeding customers’ expectations. These expectations are formed by their past experiences, word of mouth, and advertising. After receiving the service, customers compare the perceived service with the expected service. If the perceived service falls
below the expected service, customers lose interest in the provider. If the perceived service meets or exceeds their expectations, they are apt to use the provider again. (Kotler, 2000)

Individual customers have their own particular value model which is developed through time and can be influenced by needs and desires (Ravald and Grönroos, 1996), demographics/characteristics (Bolton and Drew, 1991; Lai, 1995), and financial resources (Bolton and Drew, 1991; Ravald and Grönroos, 1996; Zeithaml, 1988). As a consequence, different types of customers look for different types of value. This statement is true both within, and between markets (Piercy, 1997).

Individual customers, or customer segments, will value different combinations of qualities and attributes, within a product or service offering (Heskett, et al, 1997; Holbrook, 1999; Parasuraman, 1997; Spreng, Dixon and Olshavsky, 1993), or consumption schema (Lai, 1995) which will be based upon their own value system (e.g. Albrecht, 1994), needs and desires (Ravald and Grönroos, 1996), demographics and characteristics (Bolton and Drew, 1991; Lai, 1995), and financial resources (Ravald and Grönroos, 1996; Zeithaml, 1988).

It is a function of marketing to present a product offering to the customer grouping which is most suited to receive it and the complexity of the mix of value drivers indicate the difficulty of achieving this function consistently.

When the value of benefits are measured in terms of a price that a customer is prepared to pay, the exact amount of that price is still often determined by vague intangible feelings which originate from personal core beliefs. CPV can be perceived consciously or unconsciously. Often, a customer cannot articulate what it is about a particular product or service which gives it more value than another product or service. It does not mean that the
value is not real and tangible for him though (Groth and Dye, 1999) and may be based on “sentimental value”, represented by the feeling of an emotional bond (Butz and Goodstein, 1996).

An individual’s preference for achieving a gain (a benefit) rather than avoiding a cost (a loss) is an aspect of human behaviour. Within the field of behavioural physiology (Bailey, 1986), motivation to achieve a benefit is known as “towards” behaviour, motivation to avoid a sacrifice is known as “away from” behaviour. The division of this behavioural characteristic through a given population is influenced by culture (Hofstede, 1991), and through individuals by the “nature versus nurture” dynamic. As a generalisation, customers are believed (Bolton, 1998; Ravald and Grönroos, 1996) to be motivated more by sacrifices (losses) than by gain (benefits).

“Avoiding a loss” is usually manifested by a concentration on price, a lower price being preferred over the offer of intangible additional product features. The negative impact of price is substantially higher than the positive impact of price (Sweeney, Soutar and Johnson, 1999). When brand quality is perceived to be high, the strength of ‘price-based’ information is reduced (Dodds, 1999).

CPV is affected more by poor performance or “contamination effects”, than by good performance or “pollination effects” (Groth and Dye, 1999). Whether an aspect of performance is judged “poor” or “good” is dependant on the scale against which they are being measured. For intangible credence products, this scale is largely determined by the salesperson at point of sale, through which process he can manage customer expectation and consequent CPV.
The value received may have different characteristics which are simultaneously received, customers determine/perceive value as an aggregate of weighted variables (Groth and Dye, 1999), or ‘value proposition’ (Dodds, 1999; Piercy, 1997). A conversation with an account handler may perform a social role, as well as achieving the purpose of the call, both of which are facets of value if the customer receives a benefit from them (Holbrook, 1999).

In service offerings of all types (simple or complex) different types of value can be experienced or perceived by the customer at any one time, a process described as ‘compresence’ by Holbrook (1999). These values are essentially independent, but customers are willing to trade off one against the other to achieve optimum value (Sheth, Newman and Gross, 1991)

Consumers may use the same criteria for judging value ex ante and ex post, or they may use different criteria (Oliver, 1999; Parasuraman, 1997); the latter will apply especially where a product is high in credence qualities (Patterson and Spreng, 1997).

Through the different stages of the consumption of a service, different aspects of that service will generate value to differing degrees. This is a dynamic process which will shape the perception of a customer when he repeats the consumption experience (Parasuraman, 1997; De Ruyter, et al, 1997; Leblanc and Nguyen, 1999; Zeithaml, 1988).

As the perceptual framework may change for customers, it is also driven by changes in the hard criteria against which they are selecting. As a customers’ service requirement changes, so will the ability of their provider to generate value in their eyes against the changing criteria against which they are ordering. This reduces a customer’s ability to reliably predict what they will value in the future (Huber, et al 1997; Woodruff, 1997).
Woodall (2003) describes the value perception dynamic as a “gestalt” and presents this concept in diagrammatic format. This gestalt property, which is also regarded as a dependence upon situation and circumstance, is widely observed in the literature (Groth and Dye, 1999; LaPierre, 1997; LeBlanc and Nguyen, 1999; Ravald and Grönroos, 1996; and Zeithaml, 1988).

Customers perceive value in different ways depending on the stage of their relationship with the supplier. New customers are more likely to focus on tangible service attributes and technical qualities; longer-term customers on relationship, on higher level goals (Parasuraman, 1997). This process is represented by the conceptual Customer Value
According to Gutman (1982), several attempts have been made to provide a theoretical and conceptual structure connecting consumers' values to their behaviour. Gutman states that these attempts can be subsumed under the rubric of a Means-End chain. Means are objects (products) or activities in which people engage (running, reading). Ends are valued states of being such as happiness, security, accomplishment. A Means-End chain is a model that seeks to explain how a product or service selection facilitates the achievement of desired end states (Gutman, 1982).

The Customer Value Hierarchy Model illustrated in Figure 4 can be seen as a development of the Means-End model of Gutman (1982), and provides a framework to view the dynamic, where products and services provide a means to achieve an end, a higher-level goal.
Attributes are the physical, tangible characteristics of a product or service and are the properties which contribute to CPV at the early stages of a relationship or product use. Consequences are the outcomes which result from the consumption of the offering (Gutman, 1982) and are more abstract than product attributes. Goals and purposes are an individual’s or an organisation’s desired end-states, representing their core values, purpose and goals (Woodruff and Gardial, 1996) and represent the highest level of abstraction. Customers move upwards or downwards through this hierarchy (Woodruff, 1997) with their consumption experience. The conceptual model can be used to understand the different levels that customers derive value from a product or service.

Consumers are most concerned with consequence factors associated with a purchase, rather than products themselves (Heskett, et al, 1997; Holbrook, 1999; Lai, 1995; Richins, 1994); customers in business relationships are more concerned about performance enhancement than products (LaPierre, 1997).

### 2.6. Value and Satisfaction

Whilst the recognition of the essential role of CPV may be recent, measurement of customer satisfaction is very popular and is regarded as a key indicator of product quality. The SERVQUAL questionnaire (Parasuraman, Zeithaml, & Berry, 1988) is one of the most popular frameworks for measuring the quality of services as perceived by the customer.

Eggert and Ulaga (2002) regard the concepts of value and satisfaction as two separate, yet inter-related constructs. Customer satisfaction surveys measure a customer’s after the event view about whether they have experienced a positive or negative discrepancy (or disconfirmation) between the outcome and their expectations regarding a purchase. This is
known as the disconfirmation paradigm (Churchill, Gilbert, et al 1982). Paradoxically, if a consumer started with a low expectation of the performance of a product or service, which was subsequently met in full, measured on this model, they would be “satisfied”. This could occur in spite of not receiving any perceived value from it.

Customers will develop their view about a product or service through time, and experience, as their expectations are met, surpassed or disappointed (Bolton, 1998).

2.7. Value Creation in Relationships

Within a relationship business model, measurement of CPV should take into account “total episode value”, accounting for not only transactional trade offs between benefits and sacrifices, but also those trade-offs which take place over a period of time, those formed by the relationship. This supports the aim of companies focusing on “superior customer value delivery” (Narvar and Slater 1990; Day 1990; and Naumann, 1995). Hogan (2001) defines expected relationship value, as the perceived net worth of the tangible benefits to be derived over the lifetime of the relationship.

This move is driven by the recognition that it is the relationship which creates value for the customer, as a separate characteristic from the quality of the product itself. In this way, the relationship can become a key point of differentiation from competitors.

Complex product/service combinations may only be delivered with the active involvement of supplier and customer. As the complexity increases, it may be impossible for the customer to contribute to the product/service design, leaving him completely dependant on
the provider. Such asymmetry of information can be found in credence products such as medical, legal, and financial advice services (Emons, 2001).

The more relational the exchange, the more the customer searches the whole/aggregated product for value (Ravald and Grönroos, 1996), and will tolerate lapses in service where a long-term relationship is in place (Grönroos, 1997). This applies more to the purchase of services when knowledge of how to use the service increases the benefits derived from the service (Bolton, 1998).

The criteria for judgement may change through time and with consumption (Parasuraman, 1997). This phenomenon applies particularly to credence products (which are initially sold “on a promise” (Clarke, 2001) where consumption informs the user about the product and in doing so, provides wider criteria on which to make a judgement. (Patterson and Spreng, 1997).

Recognition of the synergistic potential of value creation through buyer/seller networking/partnering relationships, Ulaga (2001) proposes that “firms jointly create value through relationships, partnering and alliances.”

Moller & Torronen (2003) study how value can be created through business partnering and networking by the joint utilisation of the supplier’s capability profiles which the study identifies. Value creation in such partnerships is seen as a spectrum ranging from core value (which can be assessed given enough benchmarking information), through the concepts of current value, through to future value of relationships, which are harder to predict.
Harmsen & Jensen (2004) take a competency-based approach, seeking to translate market demands into company competencies though a mapping procedure. This particular research was conducted at the industry level (Danish food) and the authors suggest that the methodology could be used at company level to build market focus, asking, “What should we be good at in order to fulfil the demand of the market”.

Walter et al (2003) saw value creation as a result of “direct-value functions or “indirect-value functions” from the perspective of the supplier. Direct-value functions refer to the creation of profit, volume and security from contractual arrangements. Indirect-value functions refer to value creation from the possibilities of product and process innovation; accruing new customers or other “actors” in the working environment through the reference of a particular customer; and the acquisition of knowledge from the customer.

A study of the value drivers in business relationships was conducted by Ulaga (2003), in which Ulaga identified eight value drivers which he identified in his study of the purchasing behaviour of manufacturing companies in the USA.


   Product benefits are identified as the core dimension, being core to the reason for transacting business and forming a relationship.

2. Service Support: Product-related services, customer information, outsourcing of activities. Service benefits support the delivery of the core dimension of product. These “service-related-benefits” are regarded as being a key driver by Lapierre (2000) of CPV in industrial contexts.

4. Supplier Know-how: Knowledge of supplier market, improvement of existing products, development of new products. Benefits accrue when supplier and buyer work together to increase their competitive position (Ganesan, 1994).

5. Time-to-market: Design tasks, prototype development, product testing and validation. Joint attention to these processes can result in strategic management of supply chains (Stalk and Hout, 1990) and a reduction of production cycle times.

6. Personal Interaction: Communication, problem solving, mutual goals. “People make a relationship work or fail” (Wilson and Jantrania, 1995) and economic activity being embedded in “concrete personal and structures” (networks) (Granovetter, 1985).

7. Direct product Costs: Price above, below, competition; annual price decreases, cost reduction programs. Price is regarded as the most prominent sacrifice (over other relationship costs) in the value equation.

8. Process Costs: Inventory management, order-handling, incoming inspections, manufacturing; which include factors relating to logistics (transportation, warehousing, badgeing, etc.).

Ulaga & Eggert (2003) defines customer value in business relationships as: “the trade-off between product, service, know-how, time-to-market and social benefits, as well as price and process costs in a supplier relationship, as perceived by key decision-makers in the customer’s organisation, and taking into consideration the available alternative supplier
relationships.” These trade-offs they define collectively as “relationship value” which they conceptualise as a formative, multi-dimensional, higher order construct.

2.8 Conclusions

The extensive review of the literature in the area of study has established that the study of customer perceived value in the context of a service relationship is restricted to a few academic papers.

“A full conceptualisation of what value is from the perspective of the buyer evaluating the supplier has not been agreed upon, nor has there been a full attempt at constructing a theory of value” (Plank, 2004).

“A deeper understanding of these (Value Driver) roles and how they actually deliver to customers the components of Customer Perceived Value is needed” (Woodruff, 1997).

“Empirical research focusing on relationship value in business markets from a customer perspective is limited to a few studies” (Ulaga, 2003).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Choice of Research Methodology

Empirical research focusing on relationship value within a service relationship context is limited to a few studies based on dimensions derived from theory (Ulaga, 2003). The aim of the research was to identify customer value drivers within a services relationship.

Stern (1980) recommended qualitative methods of research to explore substantive areas about which little is known or about which much is known to gain novel understandings. In addition, qualitative methods can be used to obtain the intricate details about phenomena such as feelings, thought processes, and emotions that are difficult to extract or learn about through more conventional research methods. Both these facets make a qualitative approach to the methodology particularly suited to this particular study area.

Quantitative research methodology (Hutton, 1990) collects information by asking a set of pre-formulated questions in a premeditated sequence in a structured questionnaire to a sample of individuals drawn so as to be representative of a defined population. This highly structured format, which relies on the researcher knowing exactly the questions which are relevant to ask, is not best suited to an area of new study about complex feelings and thought processes. Quantitative research relies on breadth for its validity and so is not suited to the sample size which was deemed achievable.

Cresswell (1994) describes qualitative research as a methodology within which the researcher builds a complex, holistic picture, analyses words, reports detailed views of informants, and conducts the study in a natural setting. Cresswell identifies five main
research types: The Biography, Phenomenology, Grounded Theory, Ethnography, Case Study. Another qualitative research type is the use of focus groups.

Techniques immediately discounted on the grounds of inappropriateness were The Biography, Phenomenology, and Ethnography. Focus groups, which provide a thought generation process which can elicit responses which might not be arrived at in isolation (and so is appropriate to this field of study) was also discounted. The results of focus groups can be skewed by group think and are not a framework for examining complex individual thought processes.

Grounded theory, developed by Strauss and Corbin (1998), is a process where theory emerges from the data collected. The researcher does not begin a project with a preconceived theory in mind, unless the purpose is to elaborate and extend existing theory. In this way, this research methodology can offer new insights and a richer understanding of the phenomena discovered and developed by the researcher. For these reasons, Grounded Theory was chosen as the methodology for the research study.

3.2. The Research Project

At the start of the research project, the resources available for the study were determined. In particular those relating to time and finance, taking into account the need for the project to be achievable within the determined time, space, and resources (Blaxter et al, 2002).

For the basis of the study, buyers of general insurance as well as insurance sales representatives and brokers from South African insurance companies were chosen for
interview. General insurance, has the properties of a “credence product” (Darby and Karni, 1973) and is delivered as a service within a relationship framework.

Data was gathered through a series of interviews with customers and sales representatives over a period of four weeks.

3.3. Customer Sample Characteristics

For the purpose of this study, two sample groups were chosen.

The “purposeful sampling” approach was used to select a sample group of insurance buyers. This approach was decided on because it allows for the selection of “information rich” cases (Champion, 2002), and at the same time it restricts the learning to the attributes of the target group.

Group one comprised of eleven insurance buyers holding a full range of policies (business, property, liability, motor and personal), resulting in a wide range of service needs. Group one consisted of the following general business and personal insurance consumers:

Nigel (Motor Vehicle Dealer)
Jane (Florist)
Richard (Plumbing Business)
Mark (Tour Guide Operator)
Rubin (Clothing Manufacturer)
Mbongi (Self-Adhesive Labelling)
Nick (Corporate Managing Director)
Roger (Transport Industry)
Tim (Electronics Sales)
Omar (Dentist)
Ruth (Real Estate Agent).

Only first names of the participants have been listed for confidentiality reasons.

The sample customers were contacted by telephone and invited to participate in the study, and interviews were conducted at the interviewee’s premises, over a four week period. Interviewees were located within 20 kilometres the Cape Town Central Business District.

Group Two was comprised of a total ten staff and management members of various insurance agencies and brokerages. The group included customer facing staff and management. All staff interviews took place over a two day period at the relevant staff member’s office premises. Staff members from insurance agencies that participated in the survey are listed follows:

Grant: Senior Manager (Corporate Insurance Company)
Miguel: Sales Representative (Corporate Insurance Company)
Jennifer: Sales Representative (Corporate Insurance Company)
Elton: Sales Representative (Corporate Insurance Company)
Lynne: Sales Representative (Corporate Insurance Company)
Pauline: Call Centre Staff (Corporate Insurance Company)
Sally: Call Centre Staff (Corporate Insurance Company)
Rynard: Insurance Sales Broker (Private Firm)
Bob: Insurance Sales Broker (Private Firm)
Peter: Insurance Sales Broker (Private Firm)
3.4. Bias

The research process was facilitated by being able to draw on relevant working experience within the insurance industry and therefore existing professional relationships with sales representatives and customers form a convenient basis for data collection. This background introduced the risk of bias, defined by the Oxford dictionary (Hawkins, 1983) as “an opinion or feeling or influences that strongly favours one side in an argument or one item in a group or series”. Accepting that “it is not possible to be completely free of bias” (Strauss & Corbin, 1998), a particular point was made of being continuously aware of the need to remain detached from the interview process and to avoid leading the interviewee. Maintaining a focus, as far as possible, on the interview process, rather than the content, was how this was achieved.

3.5. Role Conflict

It was identified that a potential area of role conflict might exist during interviews with certain individuals, resulting from having fulfilled the role of the intermediary (Insurance Agent).

In those instances, the established relationship would enable both parties to use a common language, with common points of reference; a process which could allow a deeper understanding to emerge.

Accepting that role conflict in such situations is inevitable (Morse, 1991), it was decided that the existing rapport and understanding that was present with existing customers would benefit the data gathering process.
3.6. Interviewing

In the context of objectivity in research, due cognisance has been taken of the need to elicit information, facilitating a process where the interviewee could identify and communicate their own answers, without being guided by the interviewer. The use of presuppositions, suggestion, pace, pitch and tone, are all influencing techniques which can be used consciously or unconsciously, to influence and guide a conversation. With an awareness of this process, “The interviewer can become more adept at interviewing, in general, in terms of the strategies which are appropriate for eliciting responses”. (Blaxter et al, 2002).

Questions used in the research were designed to be open-ended to allow the respondent maximum flexibility over how to frame their answer. When helping with requests for clarification, the interviewer was careful to avoid communicating his beliefs (shaped by bias) to the interviewee.

The interview process can be influenced by the Hawthorne Effect, a dynamic which occurs when a participant in a test, trial or study, has a better experience because of the focusing of interest toward them which is gratifying and thus rewarding in its own sake.

Apart from the factors identified by the respondents, there may be other important factors in existence that are not mentioned by the respondents. Unstructured interviews can present the problem of omission and this aspect is addressed through comparison of the findings of this study with the findings noted in other specific literature as far as possible.

Interviews averaged 45 minutes in duration.
3.7. Interview Guide

The objective of the interview process was to find out what customers and staff members thought created value for the customer and whether this value for the customer in fact had any benefit for the company itself. Insurance Agents and Brokers were asked to frame their thoughts from the perspective of the customer, and were asked the question “From the customer’s perspective, what are the elements of the insurance company’s offer which customers particularly value?”

In order to elicit information on how customers feel that value can be created for them, the customers were asked the simpler question “what are the elements of an insurance company’s offer that you particularly value?”

These questions provided the direction for a process of elicitation and identification of value drivers without prompting or leading the interviewee so as to conform with the grounded theory methodology.

A data collection sheet (Annexure A) was used in order to capture the data observed during the interviews. The customers interviewed were all consumers of general business and personal insurance.

3.8. Data Analysis

Interviews were transcribed in note format and then compared with each other to identify common themes. This process of open coding was conducted with care, in the knowledge
that interview comments had been made within an interactive context and should not be taken outside that context or sequence (Williams, 1994).

The need to test the trustworthiness of the research findings was considered, using the techniques of triangulation, feedback, and replication (Miles & Huberman, 1994), however it was determined that these test mechanisms were not available within the context of this study.

3.9 Limitations of the Study

Rarely is there empirical study without certain limitations.

The study group selected, represented a small sample within a tightly defined service sector. In order to produce generalisations which can be applied across the services sector generally, a larger sample size is required.

The limitations of interviewing customers, some of whom the interviewer has had a business relationship with, are noted earlier in this chapter. The customers interviewed were receiving value from their preferred choice of supplier insurance company and were not able to contribute much to the discussion about barriers to delivering value. Richer information, including information about discontinuities, can be gained by selecting a sample group detached from the researcher, and from companies which have service delivery issues.
CHAPTER FOUR: RESULTS, ANALYSIS AND FINDINGS

4.1 Results and Analysis

Analysis of the interviews revealed six different dimensions of value creation in the service relationship between the service providers and customers and these six dimensions are listed below as Customer Value Drivers.

A similar approach to the study of value has been used by Ulaga (2003) in his study of value in business relationships. At the start of the data collection process it was not intended to follow the same methodology, however as the process unfolded similarities emerged that warrant referencing.

The dimensions identified are listed below and are ranked in the order that represents most closely the aggregate view of the customer sample group.

Each dimension can be viewed as a potential service differentiator from competitor companies and represent an opportunity to build value for customers.

Each of the value dimensions is individually reviewed and discussed in the sub-sections that follow. The most relevant individual interviewee responses have been quoted to illustrate the individual features of the identified dimensions. Similarly, the most appropriate individual staff responses were also included. The results and analysis of the data collected from the interviews with customers and staff members revealed the following six Customer Value Drivers:
4.1.1 Supplier Knowledge *(Not identified by Staff).*

Nine out of eleven customers interviewed identified the supplier’s knowledge of customer’s business needs and of the customer’s industry sector as a Value Driver but surprisingly none of the ten of the staff complement identified interviewed it as a Value Driver.

4.1.2 Trust *(Partial recognition by Staff)*

Ten out of eleven customers interviewed identified trustworthiness, commitment, confidentiality, accountability of the supplier as Value Driver and five out of ten of the staff complement interviewed identified it as a Value Driver.

4.1.3 Functional Efficiency *(Identified by Staff)*

Eight out of eleven customers interviewed identified personal service, time saving and responsiveness as Value Driver and nine out of ten of the staff complement interviewed identified it as a Value Driver.

4.1.4 Claims Settlement *(Identified by Staff)*

Eleven out of eleven customers interviewed identified speed and fairness in settlement of claims as Value Driver and ten out of ten of the staff complement interviewed identified it as a Value Driver.
4.1.5 Location *(Identified by Staff)*

Nine out of eleven customers interviewed identified reassurance, networking, access and local knowledge as Value Driver and ten out of ten of the staff complement interviewed identified it as a Value Driver.

4.1.6 Price *(Identified by Staff).*

Eleven out of eleven customers interviewed identified a lower premium charged as Value Driver and ten out of ten of the staff complement interviewed identified it as a Value Driver.

4.2 Findings

4.2.1. Customer Value Driver # 1: Supplier Knowledge

4.2.1.1. Knowledge of Customer’s Business

From the interviews, it was discovered that most customers have a belief that their business insurance needs are complex and would not be as well understood by an alternative supplier. Customers also believe that a detailed understanding by their supplier can only be built up over a period of years.

The need for supplier knowledge went beyond the need for an understanding of the insurance needs of each business. The interviewees all expected the supplier to understand both the operational characteristics of the business itself, as well as its business model.

All respondents had explicit confidence that their Agent understood their business. “My Agent understands my business and my personal needs” was explicitly stated by all the
interviewees. Interviewees were talking from an implied position that their businesses were unique and required a “special” understanding.

Nigel: “I need someone who understands my business.”

Jane: answering the question “How do you know that whether an Agent understands your business “Because of the questions that she asks me.”

Richard: “It’s the technical competence which forms the trust.”

Mark: “It’s the manner in which an Agent communicates the policies that shows me that they know what they’re talking about.”

Rubin: “If they’re [Agent’s staff] grasping the problem fully from both sides, then it’s good news.”

Mbongi: “I know I’m going to get good advice because I know he [Agent] has a wealth of experience in the industry.”

Interviewees required the understanding from their Agent, not the Insurance Company.

Nigel: “I don’t care which company the cover is with, if my Agent says that it’s OK, that’s good enough for me.”

Mark: “Well it’s my Agent who has to sort it out with them.”
When customers had a question relating to the cover that they had arranged with the Agent, they all claimed that they would first examine their policy wordings. When asked how long they would do this for, they then volunteered that they would quickly (within five minutes) pick up the telephone to seek advice from their Agent or his staff. There was an implicit expectation that policy wording would of necessity be couched in legal terms and be difficult to understand for the non-technically trained.

4.2.1.2. Knowledge of Customer’s Industry Sector

Interviewees had a perception that the Agent had an intimate knowledge of the particular industry sector that the interviewees were operating in (whichever one it happened to be). This perception enhanced the level of empathy felt by the interviewees.

Rubin “There are a lot of issues which our industry faces and some people understand those issues. The Agent really understands them, without doing the same job... its empathy really.”

Nigel: “I don’t need to explain it to him, it’s commitment. We have an understanding.”

None of the staff interviewed, identified their product knowledge, or their understanding of their customers’ needs as a value driver; their focus was on the nature of their personal relationship with their customers, not on the understanding of their business. Neither of the two representatives interviewed who are account managers dealing with business insurance, mentioned their skill at tailoring their company’s products to the needs of their business customers.
4.2.1.3 Formal Qualifications

Formal professional qualifications were not taken, per se, as evidence of technical competence. None of the respondents were aware of the levels of insurance industry professional qualifications and were searching for other indicators, primarily the skill of applying knowledge of insurance to their own business requirements.

Rubin: “The actual qualifications I have no idea about and am not worried in the slightest about the qualifications. It’s whether they understand and answer the questions properly, come to grips with the issues of the moment. If they are grasping the problem fully from both sides then that’s good news.”

This answer demonstrates that the interviewee is interested in consequences (benefits) not attributes (product features), an answer from the desired consequence level of the Customer Value Hierarchy Model (Woodruff, 1997; page 27).

Nigel: “I’m not interested in initials.”

Interviewees were primarily concerned about the competence of their Agent and his ability to advise them on solutions for their own personal and business insurance needs. It was clear that it was the insurance advice that was the most essential part of the supplier's offer and a component which had to be in place if a business relationship was going to be formed. This is entirely consistent with the properties of a credence product, of which Nelson (1970), identified insurance as a classic example.
4.2.2 Customer Value Driver # 2: Trust

All respondents identified “trust” as an essential component of the business relationship. This is consistent with the context of the delivery of a credence product such as general insurance (Emons, 2001).

In a business relationship context, trust can be regarded as having three essential components (Walter, 2003). Firstly the belief that the relationship partner will show benevolence in his actions which will benefit the relationship in total (Anderson & Weitz, 1992). Secondly, honesty (Doney & Cannon, 1997), and thirdly, competence (Ganesan, 1994). Interviewees were using the word to convey all three components, and also in the form of a noun, “I have to have trust.”

All participants were asked how they would define trust and how long it would take to establish trust in an individual. A range of responses was elicited.

Nigel: “I know when I can trust someone within five minutes, it’s just a feeling I get… sometimes I’m wrong.”

Nick: “Its two minutes, don’t ask me why” “I can’t think of one where I have been wrong.”

Rubin: “I have to have confidence in the person providing it. I have to have confidence in the person.” “There’s a lot of trust and a lot of relationship in there, isn’t there? There’s a lot of trust, it’s not just comparing contracts is it?”
Richard: “It’s the personal contact, the personalities involved, which means that my claims get paid” “I much prefer to deal with the same person, it creates trust.” “I need to feel that that the person cares about me as a customer, not just the fact that he is going to get my business at the end of the day. You need to get a feeling almost that he is a friend, that sort of feeling. You need to feel that you can trust him to tell you the truth. For my advantage not for the company’s.”

Jane: “I think that there’s more trust from a local person that you can see and you know.”

Roger: “The importance of the relationship for me is key.”

The understanding of different values brings people closest to cross-cultural effectiveness. To understand how others think it is necessary to understand their value system, but to understand others, we need to be aware of and understand our own value system (Marx, 2001). Individual participants’ comments were consistent with this observation in that they could easier identify with the supplier on the grounds of similarities in culture, religious beliefs and/or moral values and felt that they could immediately trust the person.

Mbongi: “I form a relationship of trust easier with someone who I perceive to have the same moral values as me.”

Omar: “If we have the same culture, values and beliefs and place emphasis on similar things, I know we are similar in the way we think and do things, therefore I can trust him.”
Rubin: “When I connect with someone due to the fact that we have common backgrounds and religious beliefs, I find it easier to trust.”

Several interviewees saw the responsibility for developing the relationship as a two-way process.

Rubin: “I try to enhance the trust. There’s no point in trying to abuse it, it’s personal.”

Richard: “I build up a relationship and a trust over a period of years” “You don’t just change it for the hell of it, it evolves.”

Interviewees were primarily concerned with their level of trust in their Agent, rather than in the insurance company. If there was a discontinuity in the service which they received, they all stated that they would talk to their Agent and expect any issue to be resolved quickly. When issues could not be resolved to the buyer’s satisfaction, buyers expected to be told quickly and clearly by the Agent. This process added to the buyer’s trust in the Agent (the willingness not to avoid difficult areas) and was regarded as a demonstration of personal honesty.

There was partial un-prompted recognition from sales staff that a feeling of trust was important for customers.

Jennifer: Sales Representative (Corporate Insurance Company) “They trust us as individuals.”
Sally: Call Centre Staff (Corporate Insurance Company): “They think that it is important that they are able to trust us.”

The issues of client confidentiality were raised by some respondents.

Omar: “I feel confident to divulge things that we are doing within our business, and know that he [Agent] is not going to go off and talk to anyone about it. The fact that I have never heard him mention anyone else’s business by name gives me a huge amount of confidence.”

Interviewees were asked what behaviour would lead to a breakdown of trust.

One interviewee cited an example of an experience which he had defined as an irreparable “breach of trust” with a former provider insurance provider. The provider had admitted to the interviewee that he, the provider, had not applied the best rating terms to the interviewee’s policies, and in the face of lower price competition, had subsequently reduced his price considerably. The “asymmetry of information gives sellers several opportunities to exploit consumers” (Emons, 2001). In this context, pricing is the largest of these.

4.2.3 Customer Value Driver # 3: Functional Efficiency

All the interviewees, the customers in the study, are the active consumers of the general insurance product (business or personal insurance) which they had bought, and have an active role in its consumption. They act in the relationship with the supplier, arranging
cover and reporting claims, and so were qualified to talk about the efficacy of that process for their businesses.

Whilst amendments to business cover would usually be discussed with the Agent, changes to motor and personal policies, claims notifications, and account queries would be arranged directly with the Agents’ staff.

All respondents explicitly stated that they found the personal service provided by the Agent’s staff, the fact that they could speak to the same member of staff about an ongoing transaction, very valuable. Interviewees were generally talking from the “desired consequences” level of Woodruff’s (1997) Customer Value Hierarchy Model (page 27).

Functional efficiency, when performing transactions, reduces the consumption of the customer’s own time. In this context, consumption of “own time” can be seen as a non-monetary sacrifice (Woodall, 2003).

Mark: “I can speak to someone who understands my business, it saves me time.”

Rubin: “There so much complication now that you need things as simple as possible”

“It’s time saving, I know that we’ll get there quite quickly.”

Roger: “There won’t be a long drawn out hassle.”

One of the keys to the saving of customers’ time was the continuity of Agent’s staff that handled routine transactions.
Jane: “It was continuity of staff, and I am speaking to the same person about the same claim. When you go to a huge claims department you never know who’s going to pick up the phone. With my Agent, I have a point of contact and she’s always there, the point of contact is always there, and that’s been great!”

Richard: “It’s nice to know the person answering my call, I can picture them in my mind”
“I much prefer to deal with the same person, it creates trust.”

Tim: “When I call my Agent’s office, nine times out of ten I talk to someone I have spoken to before and know” “It’s very important to get through to somebody who knows you, somebody who understands your business”. “It’s the personal service that I’m after.”

Mark: “To be able to know that you can pick up the phone to someone you know and get pretty much an immediate response.”

All company staff recognised personal service as a value point for their customers:

Grant: Senior Manager (Corporate Insurance Company): “they like the fact that they are able to speak to me.”

Miguel: Sales Representative (Corporate Insurance Company): “They don’t have to go through the same monotonous detail, it’s less tedious for them.”
Pauline: Call Centre Staff (Corporate Insurance Company): “You don’t have to explain everything repeatedly” “Customers are treated like people instead of a policy number on a screen.”

Jennifer: Sales Representative (Corporate Insurance Company): “It’s the personal touch that they enjoy.”

Lynne: “They get that personal touch.”

There was recognition that personal contact provided a social function:

Grant: Senior Manager (Corporate Insurance Company): “you become almost friends, instead of a client” however “it remains very much a business activity.”

Sally: Call Centre Staff (Corporate Insurance Company): “most of them regard me as a friend” “it’s that kind of personal, social approach.”

Even when the member of staff is not personally known to the interviewee, there is an expectation that the member of staff will respond and be competent.

Mbongi: “I know because of the way my Agent runs his office, the people in it.”

There was acknowledgement from interviewees that some technical enquiries could not be answered immediately, but that an answer could always be found from somewhere within the organisation.
Mark: “*Whatever it is, someone always calls me back with an answer.*”

Company staff all recognised that their customers expected to be responded to quickly, and stated that it was part of their normal service levels to return calls promptly (although there were no expressed service standard to regulate this).

### 4.2.4. Customer Value Driver # 4: Claims Settlement

The paying of claims promptly and to the customer’s expectation is a core feature of general insurance business.

There is often a gap in a customer’s understanding about what is contractually covered by an insurance policy, defined in legal terms, and what has been lost. Losses are experienced in financial terms as well as degrees of emotional trauma and occasionally physical pain. A financial settlement can indemnify a customer against the first part of the loss, but does not address the second part, which is often the cause of a customer’s distress.

Communicating, closing and managing that gap, is a feature of the relationship model.

Managing the financial loss is the technical delivery of the service, managed by the Agent, and is bound by the contractual wording of the policy, and the cover arranged by the Agent in discussion with the customer. Interviewees had a high expectation that in the event of a loss, their claim would be settled.

Richard: “*At this time, we have 99% of the time had satisfaction when we have made a claim.*”
Rubin: “I have confidence that the spirit of the cover is there, even if we haven’t quite got the paperwork right” “it is complicated.”

Mark: “I was mentally prepared not to be covered [for a recent loss] but I was nicely pleased and surprised but I knew we had a good policy on those.”

Making claims, using the product, creates an opportunity to build trust and strengthen the business relationship. In addition, the process of helping customers to move on emotionally from the anxiety created by a serious loss is not expected by the customer and is appreciated when it is delivered.

Roger: “It was the way my Agent explained it very carefully, and was there for us as well, he wasn’t just acting as an insurance agent, he was asking if there any other way he could help.”

Interviewees used external references to calibrate their own expectation of how their claims would be handled.

Richard: “If we were dealing with a broker down the road I don’t think that would happen” [how do you know?] “based on hearsay, conversations with friends, it’s reputation.”
4.2.5 Customer Value Driver # 5: Location

All interviewees were situated within 20 kilometres of their Agent’s office and were used to face to face business review meetings, usually held annually to review and negotiate renewal terms, or as the need arose. Initially, location was cited as a feature that was valued by a majority of interviewees. When this position was challenged “How would you feel if the location was in Port Elizabeth, Durban, Johannesburg or further away, if you still had the same amount of face to face contact with your Agent, and all other aspects remained unaltered?”

Having had their initial view challenged, Respondents initially said that the location would not be important, however, on further consideration still cited it as a feature which they liked, if not a critical point, it provided comfort and reassurance that service would be delivered.

Jane: “I can’t see it happening. All of a sudden that person doesn’t turn up on your doorstep. Over the years I have found that very undeliverable.”

For some interviewees, the Agent’s own local business and social contacts provided a valuable network function, identified by Granovetter (1985).

Rubin: “The fact that he knows the area well, he will also know a number of other businesses similar to us and so make use of those contacts.” “He talks to people that I know and that I’m interested in… Things, I’m sure, will happen that are useful to me because of who he knows in the area. The network is quite important.”
Omar: “The fact the Agent is ten kilometres away is wonderful” ” Because he deals with other similar businesses locally, we can rely on him to have the knowledge without actually divulging who it is who that he has learned it from. We can make use of the knowledge which he has.”

Roger: “If my Agent was based in Durban or Johannesburg, I wouldn’t see him as much, and I am sure that he would have far more clients to look after and wouldn’t have the same understanding of their needs.”

Nick: “The comfort feeling that it is there, I think I am speaking for more people than just myself, if I want to go to my Agent’s office, I can.”

Two interviewees observed that they could informally benchmark the service offer of the company by the type and identity of other local customers (where they were known to them). This, they felt, would be harder if the identity of the supplier was based away from the locality.

Some interviewees expressed their confidence in the power of face-to-face contact to resolve difficult issues and that this could only happen if the Agent was based locally.

Jane: “I can get to her office within five minutes if we need to get something cleared up.”

Mark: “He will always come and see me if we need to sort something out.”
Interviewees found difficulty accepting that a similar service offer could ever be delivered from anywhere other than a local office. All accepted that their perception of “local” had changed over time, and when pushed would define it as being within a Province.

All interviewees had a definite preference for conducting business with people based in a local office, with an implicit assumption that “local people” would share their cultural values and understand their needs better because of it.

Jane: “There’s more rapport perhaps knowing that you’re talking to someone down the road, I think that there’s more understanding. I think that there’s more trust from a local person that you can see and you know, than there is from someone in a huge claims department.”

Mbongi: “I feel like I’m in good hands since he knows how we do things around here.”

All company staff identified the location of their office as a point of value for their customers. The benefits they identified for their customers were convenience for those customers who preferred to visit to complete paperwork and provided reassurance that the company was available to them when needed.

Grant: Senior Manager (Corporate Insurance Company): “People like knowing where the office is, where they are actually calling” “when they need to make a claim, it’s reassurance to them that you have some kind of involvement locally.”
4.2.6 Customer Value Driver # 6: Cost

Most of the sample group had no established procedure for obtaining other price quotations and used other mechanisms for making judgement about the premium they were spending with any given insurance company.

In the absence of a comparable offer, judgements on price are made in reference to the premium charged the previous year; feedback from other buyers in their community, and reassurance from the Agent that the price charged represented value in the market place.

Rubin: “The insurance spend is still under control in comparison with a lot of other bills” “The insurance bill is not a mega figure within my business.”

This is an example of a customer’s value model being developed through time and influenced by financial resources (Bolton and Drew, 1991; Ravald and Grönroos, 1996; Zeithaml, 1988).

Most interviewees expressed the assumption that they were probably not paying the lowest figure available for their cover, but stated that they were paying an acceptable premium for the additional benefits (for they felt that they were) provided.

Omar: “And hopefully the price is right anyway.”

Changing providers of business insurance is a procedure which implies effort and risk.

Rubin: “You’ve got to have a really good reason to change.”
The professional nature of the (asymmetric) relationship is held in a similar standing to that of the relationship with an accountant or lawyer. For most of the Agent’s customers, this perception deters regular price comparison with other suppliers. Customers generally feel that the tendering process itself, represented a breach of trust with the Agent, and is consequently something which would only be done if there was a serious discontinuity with the existing relationship.

Tim: “Our policy is normally done on the basis that it is longer than one year anyway.”

The reliance on the Agent for information about the competitiveness of the offer is consistent with the credence nature of the product and relies for validity on the existence of trust.

Richard: “I hope that you realise this, we don’t shop around to see if prices are the best, people say I can get this, I can get that, OK you can, but if you have a claim can you get satisfaction then?”

Price was often implied as indicator of quality, with competitors’ lower prices representing the provider’s unwillingness to settle claims.

Ruth: “It was a learning curve, I actually expected rubbish. At the price my Agent came in at I thought that I’m not going to get the service, but I did.”

High price from alternative providers was not seen per se as an indicator that they would pay more claims or could provide a better service. Rather, they were regarded as a sign that a company’s focus was on profit generation at the expense of the customer.
Costs were only expressly identified by interviewees as the financial cost (premium paid). Other costs mentioned, were the costs of unpaid claims and the use of their own time, demonstrating the multifaceted nature of costs (Woodall, 2003).

Those customers who regularly compared alternative price propositions all mentioned the financial value of the other costs and benefits of the relationship. Sourcing decisions were not made on the basis of the premium cost, rather on the basis of one “bundled proposition” in comparison with another “bundled proposition”.

4.3. Barriers to Creating Value in a Service Relationship

Barriers to creating value in services relationships does not form the central part of this study, however, since barriers by definition, have an effect on the value received, it is appropriate to include them.

Interviewees were asked whether they could identify, in their dealings with insurance companies, any factors which prevented them from receiving a “perfect solution” to “whatever insurance problem they might need solving”. The question was deliberately framed in this way to elicit any minor points of inconvenience which they may have encountered in service delivery. None of the interviewees were able to answer the question, as asked.

A follow up question “What could you do to improve what they are already providing? What would you like to have?” also failed to produce many responses. One interviewee suggested that an after hours (technical) facility to register change of vehicles would be
useful (the only reply from a customer from the “product attribute” end of the Customer Value Hierarchy (Woodruff and Gardial, 1996).

Interviewees used references from other service relationships to recount their experiences of deteriorating services. These included a lack of responsiveness, lack of personal contact or continuity, unaccountability of customer-facing staff (when they could be located). When interviewees were asked how they dealt with any discontinuities, aspects of service delivery which did not meet their expectation, they replied that they would refer the matter to the Agent and expect him to arrange a solution for them.

In this way, discontinuities can be neutralised if handled pro-actively by the Agent. Interviewees accepted that it would not always be possible to meet with all their precise expectations however they all expected to be told promptly where the limitations were, in an honest and constructive way.

Interviewees were asked how the tangible signs of a corporate image, company cars, dress code, might support their feelings that they were receiving value.

Nigel:  “*I don’t care if you are sitting there in Jeans and a t-shirt, it’s what you do that counts.*”

Ruth:  “*We might think we were paying too much.*”

The length of the relationship that the Agent had experienced with interviewees may have reduced the need for symbols of status or professionalism. Interviewees accepted that their perception of this may have varied through time and said that they would expect to see a
minimum level of the tangible aspects of corporate presence, in order to give access to a new potential provider. This supports the work of Nguyen and Leblanc (2002) who established an empirical link between the physical environment provided by sales personnel, and the perception of their corporate image by new clients. Comments by interviewees in this study suggest that this effect is short term.

Interviewees were asked about the paperwork which the company sends them, including policy documents, insurance schedules, invoices and statements. There was an expectation that by its nature the paperwork would be technical and complicated. All interviewees observed that “it could be better”, meaning more comprehensible to them, but none of the interviewees felt that it was a barrier to receiving value.
CHAPTER FIVE: DISCUSSION

The aim of this study was to examine value from the perspective of the customer within a services relationship model.

The study has identified six dimensions or drivers of customer value which have been individually reviewed and discussed, referring to concepts highlighted in the literature review. This chapter will examine some of the broader “horizontal” issues relating to value, issues which cross more than one of the value dimensions.

5.1. Defining Dimensions or Drivers

Throughout the research, difficulty was experienced in isolating value dimensions or drivers into fixed categories. This arose from the close relationship of some of the dimensions and there was considerable crossover between each of them. Often, having clarified a meaning for a word in one context, the word was then re-used in a way which was not consistent with the previous definition given.

It seemed reasonable to accept that was a limit, beyond which, seeking to achieve semantic precision with language, broke rapport and it was decided to accept the limitations of the interview model, especially when discussing intangible qualities which are defined by personal perception and vary with context.

This study has identified a dimension which it was decided to name “Trust”, because this was how all interviewees articulated it. From the feeling of trust came trustworthiness and commitment, both components which could be described as positive aspects of “Personal...
Interaction”, named as a value dimension by Ulaga (2003). Throughout this study, it was sought to keep true to the evidence produced by the interviewees, rather than squeeze a dimension into the definition of a previous work.

5.2 Comparing Value Dimensions with Ulaga (2003)

There are some similarities between some of the value dimensions or value drivers identified by this study, and some of those identified by Ulaga (2003) in his study of value drivers in industrial markets.

1. Supplier Knowledge

Of customer’s business, of customer’s industry sector.

*Comparable to dimensions # 1 Product Quality & (partially) dimension # 4 Supplier Know-how.*

2. Trust


*Partially comparable to dimensions # 6 Personal Interaction.*

3. Functional Efficiency

Personal Service. Time Saving, Responsiveness, Claims handling.

*Comparable to dimension # 3 Delivery, dimension # 2 Service Support, & dimension 8 Process Costs.*
4. **Claims Settlement.**
   
   Speed, fairness.
   
   *Comparable to dimensions # 1 “Product Quality”.*

5. **Location.**
   
   Reassurance, Networking, Access, Local knowledge.
   
   *Partially comparable to dimensions # 6 Personal Interaction.*

6. **Price.**
   
   Premium charged.
   
   *Comparable to dimension # 7, Direct Process Cost.*

Both studies were set in a relationship context however the Ulaga study was based in an industrial market, and this study, a services market. It is clear that value dimensions vary with marketplace characteristics.

The evidence itself may have different qualities, industrial marketplaces focusing on hard tangible criteria and marketplaces for credence goods on soft intangibles.

It is also possible that the evidence gathered was coded in different ways.
5.3. Role of the Relationship Manager as a Value Creator

This study has identified the critical role of the relationship manager in the delivery of the key value dimensions, Garver and Gardial (1996) emphasised the importance of the role of the relationship manager as a value creator. This is also consistent with the delivery of credence product delivered in an asymmetric relationship (Darby and Karni, 1973).

Within an asymmetric relationship, it is largely the relationship manager (in this case the Agent) who determines the framework, the reference points against which comparisons are made and value can then be generated. Effective relationship managers control this process, managing customer expectations and installing belief-sets which then become the customers own points of reference. A few studies have examined how relational selling behaviours add quality to a relationship and increase customer satisfaction (Holt, 2001; Crosby, Evans and Cowles, 1990; Boles, Barksdale, and Johnson, 1997).

Cunningham and Turnbull (1982) examine the role of personal contact and view it as the means by which inter-company relationships are established and maintained. They identify six roles of personal interaction in the buyer-seller relationship.

1. Information exchange role: encompasses the transfer of ‘hard’ data e.g. price, specifications and terms of contract and ‘soft’ information e.g. company news.

2. Assessment role: assessment of a supplier’s competence or a customer’s suitability frequently involves personal judgments as well as objective facts; these judgments are improved through interacting with the other party in both formal and informal situations.
3. Negotiation and adaptation role: negotiation will generally take place over a wide range of topics with personal contacts being the normal means of persuasion and negotiation. Similarly adaptations to products and services are discussed.

4. Crisis insurance role: contacts are often formed as a form of crisis insurance on both sides of the relationship – when a major problem or crisis occurs these contacts are utilised often as a means of obtaining rapid action.

5. Social role: when people meet other people who they like, a social relationship may develop which may continue even if the contact is moved to another function within the organisation.

6. Ego-enhancement role: a second form of social contact occurs when an individual deliberately establishes contact with senior people in the supplier or buyer organisation because they believe it will enhance their status in their own organisation.

Each of the six identified roles can create additional value for the customer when performance is increased. Weitz and Bradford (1999) add the role of “value creator”, however, this may not be seen as a specific role, rather a characteristic of performing all the roles.

Initially, operational members of staff found it difficult to view the company’s proposition entirely from the customer’s perspective. On unprompted reflection, they then made the observation that they were customers themselves (for insurance products) and applied their own buying criteria to their perception of their customers’ needs. None of the interviewees
made the observation that their customers might have a different set of value drivers to their own. This highlights the importance of perspective when gathering value data.

5.4. External Reference Points

Since the one common supplier company was the exclusive provider of the interviewees' general insurance requirements in seven out of the eleven customers interviewed, interviewees found difficulty in finding a context within which to make a reference about any component of the business offer (Gale, 1994). Only four out of the eleven customers had made a price comparison in the previous five-year period so the reference price mechanism, referred to by Grewal, Monroe and Krishnan (1998), was not evident.

Interviewees were, however, finding other mechanisms to make price and service comparisons. These included comparisons with their previous insurance suppliers (when this was recent), or to similar relationships with professional services providers. They also cited hearsay or informal discussions with other business buyers as reference points for them.

The use of external reference points supports the value of reputation (or brand quality) as a mechanism to reinforce the position of intangible features in the marketplace and to reduce the strength of price or cost based information (Dodds, 1999).
5.5 Customer Value Hierarchy

The Customer Value Hierarchy (Woodruff, 1997; page 27) is a tool used to observe the value construct. Interviewees consistently positioned their answers at the “desired consequence in use” level whereas the responses of insurance sales staff were at the product attribute level.

Experienced salesman will recognise this dynamic; product features have to be translated and presented as benefits if they are to have any relevance to customers.

None of the interviewees positioned their responses at the highest level of the hierarchy, the “customers goals and purposes”. This may relate back to the introduction to this study when the product of general insurance was positioned as a “grudge” purchase (Clarke, 2001) and rarely perceived by customers as an integral part of the higher level need for “security”.

5.6. Behavioural Drivers

For many of the value dimensions, there was no hard evidence for customers to make objective assessments by. It became clear that when discussing intangible criteria, the measurement scale that was being used by the interviewee, was their own tangible strength of feeling about a belief which they held. Set at one end of this scale was “I really, really, really believe this” and at the other end “well I’m not too sure about that”. Interviewees appeared to be calibrating their answer against an internal physical sensation for which there is no recognised scale of measurement. Ulaga (p 692, 2003) identifies the gap in “psychometrically sound measures of this concept”.

Some of the customers made their decisions about the seller’s proposition very quickly, and then looked for evidence to confirm / disconfirm their choice.

Nigel: “I know when I can trust someone within five minutes, it’s just a feeling I get… sometimes I’m wrong.”

Nick: “Its two minutes, don’t ask me why” “I can’t think of one where I have been wrong.”

Other buyers gathered evidence about the seller’s suitability slowly and appeared to build their belief about the seller’s proposition through time.

Richard: “I build up a relationship and a trust over a period of years.”

This is a behavioural characteristic identified by the Myers Briggs Type Indicator (Briggs, I; & Myers, P. B.,1980), a conceptual framework for measuring human personality types which is used as a recruitment tool known as psychometric testing. Within this framework, the behavioural tendency to judge and decide quickly (known as “J” for judgement) is set on a scale opposite the behavioural tendency to experience and understand (known as “P” for perception).

The MBTI scale is the most popular psychometric scale used in management recruitment and the selection criteria within this model for business managers favours the “J” preference. If it is the case that there are more business managers with the “J” preference, then this suggests that sellers / account managers need to be providing evidence very early in the transaction, to allow a buyer to judge their proposition favourably.
Other buyers felt that a connection of trust was established based on similarity of cultural beliefs, morals and values.

Mbongi: “I form a relationship of trust easier with someone who I perceive to have the same moral values as me.”

Omar: “If we have the same culture, values and beliefs and place emphasis on similar things, I know we are similar in the way we think and do things, therefore I can trust him.”

Values as defined by the Oxford dictionary (Hawkins, 1983) are “standards or principles considered valuable or important in life”. They are deep rooted attitudes that significantly influence behaviour. They express our beliefs in life, our roles in society and our attitudes toward relationships, time, nature etc. Values will determine how we feel, think and behave and reflect our cultural background (Marx, 2001).

Often the word culture is used without considering the exact definition but in this context, culture can be defined as “the way in which things are done” (Marx, 2001). Hofstede suggested that culture can be defined as “a software of the mind” and “a collective programming of the mind that distinguishes the members of one group or category of people from another (Hofstede, 1991). The main assumption here is that people face the same basic problems (such as the relationship to authority or the concept of self) but different cultures have different methodologies of dealing with these problems.

It appears as though cultural diversity plays a role in the decision of whom a person trusts more readily and hence decides to form a business relationship with, thereby facilitating
relationships between a buyer and supplier on the basis of similarity in beliefs, morals and values. In these instances, buyers identify with suppliers more easily and take refuge in the fact that such suppliers understand them and are thus sensitive to what their needs are.

Being sensitive to cultural diversity promotes a sense of closeness and understanding. A buyer is inclined to trust a supplier more readily if it is believed that the supplier possesses the same or similar moral values and belief systems as themselves.

**5.7 Temporal Dimensions of Value**

Measurement of customer perceived value is, at best, a snapshot of a complex dynamic. Customer’s perceptions of individual dimensions will change in different directions, at different speeds, and will be influenced both by external forces, as well as internal ones. This is the concept of value as a gestalt (Woodall, 2003).

External forces affecting the customer’s perception of value might include any of those included in a standard PESTEL analysis (Johnson & Scholes, 2002). In a services relationship these could include the effect of new technology, sociological change in expectations, economic factors affecting the buyer’s perception of relative cost.

Internal factors to the relationship will be changed by the ability of the supplier to realise the initial offer, to deliver on the promises made at the outset of the relationship. The longer the length of the relationship, the greater the number of reference experiences to evidence the seller’s claims. Opportunities to demonstrate additional value by adapting to new business requirements will also affect the dynamic, as will discontinuities which occur within the relationship.
CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

The results of the research identified six different drivers or dimensions of value creation in the service relationship between the service providers and customers. These Customer Value Drivers are:

(1) Supplier Knowledge,

(2) Trust,

(3) Functional Efficiency,

(4) Claims Settlements,

(5) Location and

(6) Price.

The following is a summary of each Customer Value Driver identified as a result of the research process:

6.1.1 Supplier Knowledge

Customers felt that having an Agent who understands them and their business needs and has technical competence, adds value and strengthens their affiliation to the person. The Agent’s openness in communication allows them to feel comfortable that he/she has their best interest at heart and is competent to provide the most appropriate solution for their specific requirements. Experience in the industry is also a major value adding attribute as it allows the customer to have confidence in the service they are receiving.
Customers felt that Agents’ qualifications were not indicative of their ability to provide potentially good service offerings or value for that matter, however a proven track record and a special understanding of their unique circumstances were perceived as value-adding attributes.

6.1.2 Trust

Customers tend to build relationships of trust with their Agents over a period of time. The general consensus was that some sort of understanding or rapport existed between themselves and their respective Agent. Based on this relationship of trust, it is expected that the Agent will at all times act in their best interest. Some go as far as to place blind trust in their Agent taking his/her word as law. Customers feel that Agents do care about them and that a social contract of friendship exists. Many feel that they would not be able to do business with their Agent if they didn’t feel that this bond or connection existed.

Many identified trust as the key driver to adding value in the relationship. Some respondents felt that this connection of trust occurred because they knew their Agent understood them. Others felt a connection based on similarities such as personal values, culture, home life, spirituality etc.

Staff members interviewed also identified trust a key value driver in service relationships and felt that genuinely caring about their customers strengthened the business relationship.
6.1.3 Functional Efficiency

The majority of customers interviewed felt that personal service, efficiency and quick response times created value for them. Simplification of complex problems and the feeling that they are getting the best service in the most efficient way makes dealing with their particular agent a pleasure, and thus adds value. The continuity with which the Agent and his/her staff handled routine transactions was the key saving customer’s time. In addition, continuously dealing with the same person and knowing that the Agent is results driven, adds value for the customer and strengthens the relationship. All staff members stipulated that personal service added value for the customer.

6.1.4 Claims Settlement

One of the best ways customers could gauge of whether they are receiving value from their current business relationship is based on the track record of claims handling and the accompanying service. Customers felt that if they were getting the response and service expected from their Agent, then they were receiving value. Customers expressed comfort knowing that their Agent responds swiftly when required to, by resolving their claims and consistently providing good service. Swift Settlement in the case of a physical, financial or emotional loss experience by a customer fulfils the customer’s expectation that their claim would be settled thereby enhancing their perception of value received.

6.1.5 Location

Customers generally felt that having their Agent based in close proximity to their location had a number of benefits. Due to the complex and sometimes difficult nature of contracts
and policies, having the Agent within close proximity enables customers to personally call at their Agent’s offices for a face-to-face discussion. In addition, it was felt that the knowledge that the Agent had accrued from working alongside other similar business in the same local area can be applied to the problems facing their particular business. Furthermore, Agents often provided a gateway to network opportunities with other businesses since they were familiar with the area, its people and their businesses. Finally, the fact that they could make trips to their offices and speak to them in person if they needed to was reassuring and comforting.

Staff members also recognised that customers being able to visit them personally added value for the customers, since it provided benefits in terms of convenience such as completion of paperwork at their offices as well as reassurance that the company was easily accessible to them.

6.1.6 Price

There was the common perception amongst customers that paying a higher premium meant better service and higher number of claims settlements i.e. greater value, however this is not always the case. Respondents agreed that companies offering a lower premium but still delivering the great value in terms of service that customers expected, translated as value for the customer.

Due to the nature of the relationship, customers placed trust in their Agent to provide them with the most competitive market offering and prices. Because it is generally difficult to compare market offerings of services, customers base their decisions on the previous year’s premium in conjunction with the perceived benefits received for that premium, feedback
from other buyers in their community, and reassurance from the Agent that the price charged represented value in the market place.

Often customers do not change Agents from whom they have received good years of service and most feel that they would need an extremely good reason to change. In addition, changing providers involves a fair amount of effort and risk and customers also felt that tendering for better prices represented a breach of trust and would only be done if there was a serious discontinuity with the existing relationship.

6.2 Recommendations

Having achieved the objectives of this study, the following three areas of further study are recommended:

At a conceptual level, in the services relationship field, and especially in the context of credence products, the measurement of the amount of value gained from particular value drivers appears to emanate from an internalised personal scale based on an unstated belief system. There appears to be no study which addresses this with an explicit scale of measurement.

The difficulty in measuring the individual value drivers makes an understanding of how they interact with each other difficult to quantify. How does a customer trade-off different levels of the drivers identified (within this context) as supplier knowledge, trust, functional efficiency, location, claims settlement and price? A complex trade-off certainly does take place but, to date, there is no conceptual model to account for how this occurs.
If the complex theory surrounding the dynamic construct of customer value is to be of use to business managers, tools will need to be developed to operationalise the concepts. The gestalt nature of the temporal changes to the complex mix of value drivers requires an operational tool to track the changes in the value mix. It is likely that to be effective, these tools will need to be business specific.

The study of customer perceived value is complex. It is even more complex in the services relationship field. The benefit for companies who can deliver value for their customers is a clear point of competitive advantage whether measured in terms of higher levels of customer loyalty and retention, stronger competitive position, higher margins, or brand equity.
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