

Does a service-based positioning of the offering enhance customer perceived value?

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Abstract

Purpose – While several studies suggest that firms should reorient their traditionally goods-based offerings into service-based offerings, only a few contributions have empirically investigated the impacts of this shift on customer's attitudes and behaviors. The purpose of this paper is to contribute to this stream of studies, by exploring whether positioning a product concept as service-based (instead of product-based) has a positive effect on customers' perceived benefits and on their purchase intentions.

Design/Methodology/approach – The study is based on an experiment. The stimulus, consisting in the verbal description of a hearing aid product concept, was manipulated to create a service-based and a goods-based offering. Customer perceived value was measured through the PERVAL scale (which includes the following four dimensions: quality value, emotional value, price value and social value). Data were analyzed through several techniques (confirmatory factor analysis, t-tests, structural equation modeling) to highlight differences in the perceived value and purchase intentions between the two offerings.

Findings – The results show that customer perceived value is higher when the product concept is positioned as service-based. In addition, quality emerges as a significant driver of the purchase intention for the goods-based hearing aid but not for the service-based hearing aid.

Research limitations/implications – The research design (i.e., an experiment, based on one product category) suggests caution in generalizing the results from this study.

Practical implications – The results suggest that positioning the product concept as service-based has the potential of enhancing customers' perceived value and purchase intentions. In addition, for a service-based product the strategy of emphasizing product quality does not have a positive impact on purchase intentions.

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Originality/value – To the authors’ knowledge, this is the first research that evaluates the effects on customer perceived value and purchase intention of positioning a product concept as service-based for a product which has been traditionally positioned as good-based.

Key words – Service-dominant logic; service logic; servitization; perceived value; value creation; value-generating process.

Paper type – Research paper

1. Introduction

According to the marketing logic based on service, value is not determined by the firm and embedded in the products (Vargo and Lusch, 2004; Vargo and Lusch, 2008), but it is determined and created by the user as value in use (Grönroos and Gummerus, 2014). Hence the firm should “serve” (i.e. support) the customer to facilitate her/him value creation process. For this purpose the firm should deeply understand customer’s everyday practices through which value is created and support them by providing resources (information, goods, services, etc.) and interactions (Grönroos, 2008). As a consequence, to be relevant to the customer, the firm’s offering should be defined in terms of services, and not of goods.

Actually, in the last 3 decades several firms have been gradually reorienting their product-based offering into service-based offerings to reinforce their competitive advantages (Baines *et al.*, 2009). In the ‘80, Vandermerwe & Rada noted that “Swept up by the forces of deregulation, technology, globalization and fierce competitive pressure, both service companies and manufacturers are moving more dramatically into services” (Vandermerwe and Rada, 1988, p. 315). Nonetheless, while in the past the focus was mainly on adding services to goods (Quinn *et al.*, 1989; Samli *et al.*, 1992) with the intent of “adding value by adding services” (Vandermerwe and Rada, 1988, p. 314), recent studies have suggested that the whole offering should be reoriented in terms of services relevant for the customer’s value creation process (Grönroos and Gummerus, 2014; Vargo and Lusch, 2008). In sum, the new approach informs a “‘competing through service’ strategy” (Lusch *et al.*, 2007, p. 7-8).

Despite this large consensus about the need to move from traditional goods-based offerings toward service-based offerings, only a few studies have investigated the impact of this shift on customer’s attitudes (Cassia *et al.*, 2015; Edvardsson *et al.*, 2013; Edvardsson *et al.*, 2011). The purpose of this paper is to enrich available knowledge on this issue, by analyzing customers’ attitudes and purchase intentions for a product, which is positioned either as goods-based or as service-based. Customer attitudes are measured through the PERVAL scale (Sweeney and Soutar, 2001; Walsh *et al.*, 2014) which consists of four dimensions of customer perceived benefits: quality value (technical benefits), emotional value (psychological benefits), price value (satisfaction compared with cost, time and effort to obtain the product) and social value (social utility). In addition, we evaluate whether these four dimensions have a differential impact on customer’s purchase intention when the product is positioned as service-based or goods-based. To answer to these research questions, the results of an experiment in the hearing aids product category are presented.

The findings of this paper have the potential to enrich both theoretical and managerial knowledge. As regards the theoretical contribution, this study provides evidences about the market effects of relying on the service logic to position the products. The findings of this study will also guide managers in designing the positioning and the communication strategies for the products. In particular, the analysis will highlight which of the suggested product dimensions (quality, emotional, price or social value) has the strongest influence on customers’ purchase intentions depending on the specific positioning strategy of the product (goods-based or service-based). As a consequence, managers will understand that, consistently with the positioning strategy that they selected for their products, they would have to emphasize different product dimensions to stimulate customers’ purchases.

The remainder of this paper is structured as follows: first, the relevant literature for this study is reviewed and the research purpose is highlighted; after that the methodology is described and the results are presented. Discussion and conclusions complete the paper.

2. Literature review

Since the '80 a remarkable number of studies have suggested that adding service to the goods may increase the total value of the offering and, in turn, reinforce the competitive advantage of the firm (Quinn *et al.*, 1989; Vandermerwe and Rada, 1988). This “shift from selling products to selling an integrated combination of products and services” has been labeled as servitization (Baines *et al.*, 2009, p. 547). In their review of the literature about servitization, Baines *et al.* (2009) note that a variety of academicians from different fields (namely operations, production, services, business management and marketing) have contributed to the servitization studies. Following the richness of the research perspectives, several labels have been used to indicate the integration between goods and services, including bundling, solution, product-service system, full service, service package, solution, and others (Park *et al.*, 2012).

In the last decade, a more pervasive logic based on service has been developed within the marketing field of studies (Grönroos, 2008; Gummesson *et al.*, 2010; Mele *et al.*, 2014; Vargo and Lusch, 2004; Vargo and Lusch, 2014). This approach suggests that service is the fundamental base of exchange and that goods are just a distribution mechanism for service provision (Vargo and Lusch, 2008). Therefore firms should not just add services to their goods, but they should rethink their overall role and act as providers of complex services, which will be used by the customers (together with other skills and knowledge held by them) to determine (Vargo and Lusch, 2008) or create (Grönroos, 2008) value. Hence value is not embedded in the goods or services being exchanged, but is created and experienced uniquely by each single customer.

This service revolution (Grönroos and Gummerus, 2014) has had a remarkable impact on both marketing theory and practice (Kryvinska *et al.*, 2013). In particular it has built the foundations for reorienting the positioning of the firm's offering (from being goods-based to being service-based) in several contexts, such as for example retailing (Lusch *et al.*, 2007), business-to-business markets (Grönroos and Helle, 2010), tourism (Shaw *et al.*, 2011). Such a reorientation toward offerings positioned as service-based is guided by the implicit suggestion that an offering positioned as service-based is superior (from the customer perspective) to the offering positioned as goods-based. While this is reasonable and well-grounded in the theoretical work on service logic, empirical evidence on this point is scarce. An exception is the work by Edvardsson *et al.* (2013; 2011) who conducted an experiment on a sample of habitual bus travelers. Participants had to compare a service system design informed by the service-dominant logic (SDL) with a service system design informed by the good-dominant logic (GDL). The findings demonstrated that the service system design informed by SDL was superior to the GDL one. Similar findings have been recently obtained in experiments involving hearing aids and bicycles (Cassia *et al.*, 2015).

Hence empirical knowledge on the effects of reorienting the offering from goods-based to service-based on customers' attitudes is scarce. In addition, it should be clarified whether this shift has the potential to improve customer's intention to purchase the product. The purpose of this study is to fill these gaps through an experiment in the hearing aids context. In particular we first measure and compare customer attitudes toward two different product concepts for a hearing aid, i.e. a goods-

based hearing aid concept and a service-based hearing aid concept. To register customer attitudes, we use the PERVAL scale (Walsh *et al.*, 2014), which considers four dimensions of customer perceived benefits:

- Quality value: the benefits derived from the perceived quality and expected performance of the product;
- Emotional value: the benefits derived from the feelings or affective states that a product generates;
- Price value: the benefits derived from evaluating price and cost, time and effort to obtain the product;
- Social value: the benefits derived from the product's ability to enhance social self-concept.

In addition, we measure customer's intention to purchase the two products and we explore how these intentions are explained by the four perceived dimensions mentioned above. On this point, drawing on studies related to the intentions to purchase products with utilitarian vs. hedonic positioning (Homer, 2008; Homer, 2006), we may suggest that:

- the intention to purchase a product positioned as goods-based is strongly related to the perceived quality value (i.e. benefits related to the tangible, utilitarian aspects) of the product;
- the intention to purchase a product positioned as service-based is strongly related to the perceived benefits related to the intangible, hedonic aspects of the product.

3. Methodology

This study was based on an experiment, in which participants were asked to evaluate two different product concepts for a hearing aid: a goods-based hearing aid concept and a service-based hearing aid concept. The selection of a hearing aid as the product for this study was motivated by previous extensive research (Cobelli *et al.*, 2014) suggesting that its prevalent goods-based positioning may be an important reason for its low rate of adoption. Two product concepts (one for the goods-based hearing aid and one for the service-based hearing aid) were therefore used for this study. "A product concept is a clear and concise statement of the essential characteristics of a product which will be offered" and "a single product idea may result in many product concepts" (Duke, 1994, p. 49). In this research we used the two hearing aid concepts that had been already developed, refined and tested in a previous research (Cassia *et al.*, 2015). In that study, after having been properly instructed about the meaning of goods-based and service-based product concepts, participants were required to indicate on a 10-point scale whether the hearing aid concept that they were evaluating had mainly the characteristics of a good or of a service (this procedure is similar to the one followed by Edvardsson *et al.*, 2011). As expected, the goods-based hearing aid concept was rated by respondents as having mainly the characteristics of a good, and vice versa. Therefore the two product concepts were judged to be suitable stimuli for this study.

Each stimulus consisted in the verbal presentation of the hearing aid. The goods-based hearing aid concept explained for example that "The hearing aid weighs less than a gram [...], it offers high sound quality [...], it works through a new accumulation systems, thus not requiring battery replacement [...]". The service-based hearing aid concept included sentences, such as the following: "The lightness of the hearing aid makes the user forget about its presence, so that she/he feels free to think and interact with other people [...], a specialist will support the user to get the most benefits from the hearing aid, depending on the user's lifestyle, specific needs, etc. [...]".

A questionnaire, together with a presentation of the research, was uploaded on www.surveymonkey.com. The survey web link was disseminated through the researchers' personal

networks (in particular, it was posted on social networks and sent through e-mails). Overall 76 usable answers were collected.

The questionnaire included the following sections: a short presentation of the research; the first stimulus followed by 15 questions, of which 12 measured the perceived value using the short form of the PERVAL scale (Walsh *et al.*, 2014) and 3 measured the purchase intention for the described product; the second stimulus followed by the same 15 questions; a few questions about the participant's profile (age, occupation, knowledge and experience with the product). All questions (with the exception of the profile-related ones) were measured through 7-point Likert scales with endpoints "strongly disagree" and "strongly agree" (Souiden and Pons, 2009; Sweeney and Soutar, 2001).

Data analysis followed this procedure. First we tested whether the components of the measurement models were equivalent for the two groups of answers (i.e., those related to the first and those related to the second stimulus). After having assessed the measurement invariance, we compared the mean values for each of the factors (quality value, emotional value, price value, social value, intention to purchase) to highlight significant differences between the two product concepts. Finally, for each of the two positioning strategies (goods-based hearing aid concept and service-based hearing aid concept), we estimated the structural model including attitudes toward the four value dimensions as the independent variables and intention to purchase as the dependent variable.

4. Results

The 76 respondents had an average age of 29 years; 46 of them were students, while the remaining 30 participants had a wide range of different occupations. As a first point of the analysis procedure, the equivalence of the measurement models for the goods-based hearing aid and for the service-based hearing aid was tested. The results argue for the equivalence of the measurement models as the difference in CFI values between the baseline model (the model without equality constraints on factor loadings) and the model in which factor loadings were constrained equal was smaller than 0.01 (Cheung and Rensvold, 2002) (the two values were respectively equal to 0.960 and 0.961). The factor loadings for the goods-based hearing aid and for the service-based hearing aid are shown in table 1.

Table 1 – Factor loadings.

Items	Factor loadings	
	Goods-based hearing aid	Service-based hearing aid
Quality value	(AVE:0.71; α : 0.88)	(AVE:0.83; α : 0.93)
Q1 - Has consistent quality	.87	.94
Q2 - Is well made	.86	.98
Q3 - Has an acceptable standard of quality	.81	.83
Emotional value	(AVE:0.81; α : 0.92)	(AVE:0.82; α : 0.92)
E1 - Is one that I would enjoy	.94	.91
E2 - Would make me want to use it	.94	.93
E3 - Would make me feel good	.81	.87
Price value	(AVE:0.73; α : 0.88)	(AVE:0.75; α : 0.90)
P1 - Is reasonably priced	.91	.87
P2 - Offers value for money	.72	.82
P3 - Is a good product for the price	.92	.91
Social value	(AVE:0.70; α : 0.87)	(AVE:0.79; α : 0.92)
S1 - Would help me to feel acceptable	.82	.86
S2 - Would improve the way I am perceived	.90	.93
S3 - Would make a good impression on other people	.80	.88
Intention to purchase	(AVE:0.81; α : 0.92)	(AVE:0.85; α : 0.94)
I1 – I would purchase this product	.86	.92
I2 – If I had to purchase an hearing aid, I would purchase this one	.93	.90
I3 – I would recommend this product to friend and relatives	.91	.95

After having assessed the measurement invariance, we compared the mean values of each factor for the two product concepts (table 2).

Table 2 – Comparison between the factors mean values for the goods-based and for the service-based hearing aid.

	Goods-based hearing aid	Service-based hearing aid	Level of significance of the difference
Quality value	5.29	5.38	Not significant
Emotional value	5.24	5.41	Not significant
Price value	4.09	4.40	p<0.01
Social value	4.71	4.96	p<0.05
Intention to purchase	4.61	5.03	p<0.01

The findings highlight that quality value and emotional value do not differ significantly between the two product concepts. Conversely, price value, social value and intention to purchase are significantly higher for the service-based hearing aid than for the goods-based hearing aid.

Finally we estimated the structural models for the goods-based concept and for the service-based concept, setting the four value dimensions (quality value, emotional value, price value, social value) as the independent variables and the intention to purchase as the dependent variables. The results are shown in figures 1 and 2, and are summarized in table 3.

Fig. 1 – The structural model for the goods-based hearing aid.

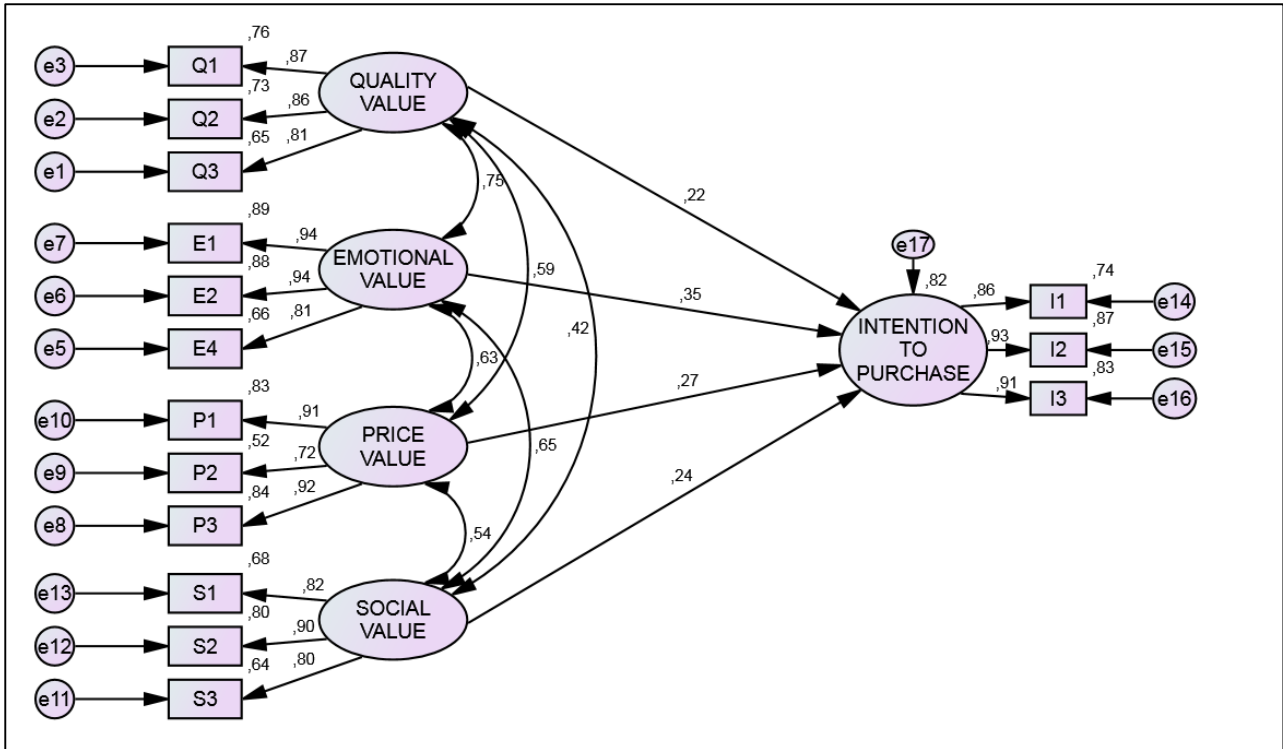


Fig. 2 – The structural model for the service-based hearing aid.

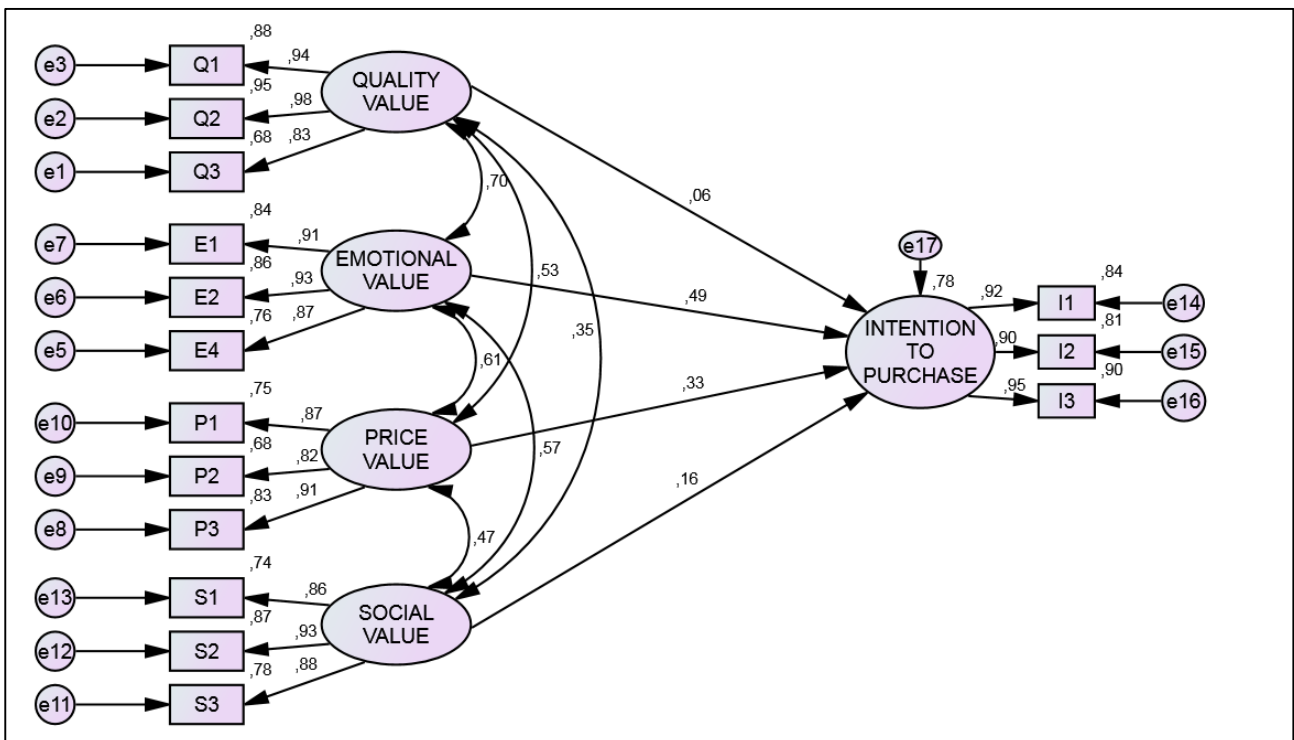


Table 3 – The structural models.

	Goods-based hearing aid			Service-based hearing aid		
	Unst. Coeff.	SE	Std. Coeff.	Unst. Coeff.	SE	Std. Coeff.
Quality value→Intention to purchase	0.320*	0.171	0.225	0.079	0.140	0.057
Emotional value→ Intention to purchase	0.363**	0.149	0.345	0.584**	0.154	0.487
Price value→ Intention to purchase	0.280**	0.100	0.266	0.333**	0.086	0.329
Social value→ Intention to purchase	0.235**	0.104	0.235	0.150*	0.083	0.161
<i>Model fit</i>						
Chi-square	128.5, df=80			117.4, df=80		
RMSEA	0.09			0.07		
CFI	0.951			0.967		

**p<0.05; *p<0.10

The results show both similarities and differences between the two models. In particular, while emotional value, price value and social value are significant drivers of the intention to purchase both products, quality value is a purchase antecedent only in the case of the goods-based hearing aid. Therefore, the higher level of purchase intentions for the service-based hearing aid (table 2) does not depend on the perception of the quality of the product (table 3). Finally, it should be remarked that the emotional value emerges as the strongest driver of purchase intention for the service-based hearing aid.

5. Discussion and conclusions

The purpose of this study was to assess whether positioning a product concept as service-based instead of product-based may have a differential role on customer's attitudes and behavior. Through an experiment in the hearing aids product category, this research demonstrates that customers perceive superior value and show stronger purchase intentions for a service-based product concept than for a goods-based one. Interestingly, the different attitudes toward the two products concepts are not related to the perceived quality level (which is the same for the two hearing aids). The superior value in the case of the service-based hearing aid is due to higher perceptions of the social value and of the price value.

In addition, the drivers of the purchase intention are partially different for the two products. While price, social and emotional value are significant in both cases, quality is statistically relevant only for the goods-based hearing aid concept. This result suggests that positioning the product concept as service-based has the consequence of making customers perceive extra-value in addition to the value related to the quality, which is taken for granted. Moreover, the analysis suggests that in the case of a service-based product concept, the strongest antecedent of customer's purchase intention is the emotional value. This means that the customer feels relaxed about using the product, because he/she knows that he/she will be supported by the provider when creating value (i.e., when using the product to create value for himself/herself).

While the results of this study are promising, several limitations have to be remarked. First, the product selected for this study (i.e. hearing aids) has some specific characteristics (such as the complexity, the high price, the customers' average low level of knowledge about this product) that suggest caution before generalizing the results. Further studies in other product categories should be conducted to corroborate these findings. In addition, the study is based on an experimental design, thus not taking into consideration the potential impact of other real-world factors. Finally the sample size is limited; therefore new studies on larger samples are suggested.

6. References

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