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## **Value-In-Use and Service Quality: Do Customers See a Difference?**

### **Abstract**

**Purpose** – The definition of value adopted by the current service perspective on marketing theory is value as value-in-use. Surprisingly, however, little attention has been given to the question of what constitutes value-in-use for customers in service contexts? Therefore, the aim of this study is to provide an empirical account of value-in-use from service customers' point of view.

**Design/methodology/approach** – To capture and analyze customers' experiences of value-in-use in the typical service context of retail banking, this study employed a narrative-based critical incident technique (CIT) and a graphical tool called the value chart.

**Findings** – The study identified seven empirical dimensions of positive and negative value-in-use: *solution, attitude, convenience, expertise, speed of service, flexibility, and monetary costs*. Interestingly, these value-in-use dimensions overlap considerably with previously identified dimensions of service quality.

**Research limitations/implications** – The concepts of service quality and value-in-use in service contexts seem to represent the same empirical phenomenon despite their different theoretical traditions. Measuring customer-perceived service quality might therefore be a good proxy for assessing value-in-use in service contexts.

**Practical implications** – As the findings indicate that service quality is the way in which service customers experience value-in-use, service managers are recommended to focus on continuous quality management to facilitate the creation of value-in-use.

**Originality/value** – This study is the first to explicitly raise the notion that in the minds of service customers, value defined as value-in-use and service quality may represent the same empirical phenomenon.

**Keywords:** Value-in-use, Customer value, Service quality, Service logic, Critical incident technique, Retail banking

**Paper type:** Research paper

## Introduction

Value continues to be an area of great interest for service marketing researchers, as well as marketing scholars and practitioners in general (Karababa and Kjeldgaard, 2014; Wikström and L'Espeir Decosta, 2018; Leroi-Werelds, 2019). The main reason for the popularity of value is its important implications for firm performance (Gallarza *et al.*, 2011, 2017). Creating value for customers has been recognized as a key source of competitive advantage (Parasuraman, 1997; Woodruff, 1997; Steenkamp and Geyskens, 2006), superior financial performance (McDougall and Levesque, 2000), and organizational success (Wang *et al.*, 2004). Also, repurchase intentions (Petrick and Backman, 2002; Gounaris *et al.*, 2007), customer satisfaction (Eggert and Ulaga, 2002; Flint *et al.*, 2011), and customer loyalty (Khalifa, 2004; Pura, 2005) have been linked to the value experienced by customers. Value creation has therefore become a primary goal of marketing itself (Khalifa, 2004; Sheth and Uslay, 2007; AMA, 2017). In the words of Rust and Oliver (1994): "Ultimately it is perceived value that attracts a customer or lures a customer away from a competitor" (p. 7). Hence, to understand how its customers experience value is essential for a firm's marketing activity (Holbrook, 2006; Babin and James, 2010) and strategic management process (LeBlanc and Nguyen, 2001; Uslay *et al.*, 2008).

Traditionally, marketing researchers have conceptualized value as the customers' perceptions of what they get in exchange for what they give or pay (Zeithaml, 1988; Bolton and Drew, 1991; Cronin *et al.*, 1997), as a means-end chain where customers perceive value from a product or service on different levels of abstraction (Gutman, 1982; Woodruff and Gardial, 1996; Woodruff, 1997), or as a multidimensional consumption experience (Mattsson, 1991; Holbrook, 1999, 2006). The recent service perspective on marketing theory argues that value is best defined as value-in-use (Vargo and Lusch, 2004; Grönroos, 2008). Value-in-use means that value is always determined by the customer during the use of products or services (Vargo and Akaka, 2009). Consequently, the focus of value research has shifted from the value of

firms' offerings to the value that is formed in the customers' use situations (Helkkula *et al.*, 2012; Heinonen *et al.*, 2013; Boysen Anker *et al.*, 2015).

Nevertheless, surprisingly little attention has been given in service marketing research to the way in which value-in-use is experienced by customers in service contexts. Despite the importance of the concept, research on value-in-use has so far been mainly conceptual, with very few empirical studies. Moreover, the few existing empirical studies of value-in-use treat the concept as a static outcome of a service process (e.g., Plewa *et al.*, 2015; Sweeney *et al.*, 2018) or focus on positive outcomes only (e.g., Gummerus and Philström, 2011; Macdonald *et al.*, 2011). Meanwhile, service scholars argue that value-in-use rather is a dynamic and processual experience that evolves over time and can be positive as well as negative (Grönroos and Voima, 2013; Heinonen and Strandvik, 2015). Hence, there is a need for empirical studies of value-in-use in service contexts which take into consideration the dual (positive and negative) as well as dynamic nature of the concept. Woodruff and Flint (2006) argued over a decade ago that a service perspective on marketing theory needs more knowledge about how value-in-use is experienced by customers to succeed as a paradigm shift in marketing. Our study addresses this limitation in contemporary service marketing theorizing.

The purpose of this study is thus to provide an empirical account of value-in-use from service customers' point of view. Service customers' experiences have traditionally been studied through the lens of service quality (Brady and Cronin, 2001). Service quality can be defined as the customer's assessment of the overall performance of the service (Zeithaml, 1988). Macdonald *et al.* (2011) point towards a causal relationship between service quality and value-in-use in the business-to-business (B2B) service context. But as the nature of the relationship between service quality and value-in-use in the business-to-consumer (B2C) service context has not been previously addressed, we also intend to shed light on this matter in our study. The findings will be particularly useful to service researchers and practitioners. Without further

knowledge about the way in which service customers experience value-in-use, opportunities for theory development and managerial applicability are limited. Hence, the findings of this paper are essential for future research about value-in-use as well as for generating practical customer-centric insights based on a service perspective on marketing.

The following research questions have been formulated to guide the study: What empirical dimensions of value-in-use exist in a typical service context such as retail banking? How do these dimensions relate to existing theoretical conceptualizations of value-in-use? What is the nature of the relationship between service quality and value-in-use in this service context?

Even though value-in-use can evolve over longer periods of time (Heinonen *et al.*, 2013), the scope of this study was limited to service processes. Service processes represent a middle way between individual service encounters and entire customer relationships, and thus allow for the study of service customers' experiences of value-in-use in a detailed but still dynamic way. We define value-in-use as the feeling of being better or worse off than before the customer used the service (Grönroos, 2008, 2011). The feeling of being better or worse off can also be described as an increase or decrease in the customer's wellbeing (Vargo and Lusch, 2008). With this definition of value-in-use, our study follows the school of thought within contemporary service marketing arguing for the existence of negative as well as positive value-in-use (Plé and Cáceres, 2010; Echeverri and Skålén, 2011; Čaić *et al.*, 2018). The logic behind this argument is simple: service processes designed to create positive customer experiences generally also have the potential to do the opposite.

The paper is structured as follows: First, relevant literature on value-in-use and service quality is discussed from a service perspective on marketing theory. The subsequent methodological section presents our narrative-based critical incident technique (CIT) that was developed and applied in the context of retail banking to explore typical service customers' experiences of

value-in-use. The next section describes the findings derived from the analysis of the collected data; and lastly, the discussion section presents the conclusions, managerial implications, limitations of the study, and directions for future research.

## **Literature review**

### *Value-in-use*

Value research consists of two main literature streams: value creation processes (actors, activities, and resources involved in value creation) and value outcomes (the value customers experience) (Gummerus, 2013). In this paper, we focus on the latter, and more specifically, on value outcomes as value-in-use. The origin of value-in-use can be traced back through the marketing literature to classical economic philosophy (Wooliscroft, 2008). Over 2,000 years ago, Aristotle discussed how value-in-use is a subjective perception of the utility of a good or service and how market demand, expressed through value-in-exchange (price), is a function of value-in-use (Gordon, 1964). Much later, Adam Smith observed how “the things which have the greatest value in use have frequently little or no value in exchange; and on the contrary, those which have the greatest value in exchange have frequently little or no value in use” (Smith, 1776, p. 28). Similarly, Karl Marx (1859) recognized every commodity to have a two-fold aspect – use-value and exchange-value – and described how value-in-use is realized only in the process of consumption.

Although many early economists acknowledged that “The Value of all Wares arises from their Use” (Barbon, 1690, p. 21), national wealth has traditionally been measured in terms of value-in-exchange, which therefore became the focus of later economic philosophy (Dixon, 1990). The discipline of marketing emerged from the field of neoclassical economics in the early 20th century, and marketing scholars have traditionally focused on the distribution and exchange of manufactured goods (Sheth *et al.*, 1988; Vargo and Lusch, 2004). With exchange being the

fundamental framework for viewing marketing (Bagozzi, 1974), value-in-use received limited attention in the literature (for an exception, see Woodruff and Gardial, 1996) until Vargo and Lusch (2004) placed the concept at the center of their service-dominant logic (SDL). Value-in-use also became a key concept in Grönroos' (2008, 2011) service logic (SL)<sup>1</sup> approach to a service perspective on marketing theory. For an overview of definitions of value-in-use provided by marketing scholars, please see Table 1.

[Table 1 about here]

Vargo and Lusch (2004) contrast value-in-use with the (value-in-)exchange focus of mainstream marketing, and Lusch *et al.* (2008) explain how “value-in-exchange might represent expected utility, but it is not the actual utility; utility (value-in-use) can only be realized by and in the context of the life of the customer” (p. 12). Moreover, inspired by service marketing and management scholars (e.g., Eiglier and Langeard, 1976; Normann and Ramirez, 1993; Gummesson, 1998), Vargo and Lusch (2004) describe how value-in-use is “defined by and cocreated with the consumer rather than embedded in output” (p. 6). Hence, Vargo and Lusch (2004) derived value-in-use from classical economics and added the notion of “co-creation” to metaphorically explain how actions by the customer and supplier and possible other actors contribute to value-in-use.

Schembri (2006), however, criticized the “utility transmitter” view of goods or services in early SDL discourse as a remnant of a goods-centered logic and argues that “products, whether they are predominantly goods or services, are essentially experiences” (p. 385). This argument echoes the words of Abbott (1955): “What people really desire are not products but satisfying experiences” (p. 40). In an attempt to fully move away from a goods-centered logic, the experiential-phenomenological perspective thus gained popularity in the SDL discussion

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<sup>1</sup> For a more extensive discussion of SDL and SL, respectively, please see Grönroos and Gummerus (2014).

(Vargo and Lusch, 2008). For example, Ballantyne and Varey (2006) as well as Kowalkowski (2011) draw from Holbrook's (1994, 2006) definition of value as "an interactive relativistic preference experience" (p. 27, 715) in their own characterizations of value-in-use. The final step toward an experience-based view of value-in-use came when Vargo and Lusch (2008) defined value-in-use as "idiosyncratic, experiential, contextual, and meaning laden" and "always uniquely and phenomenologically determined by the beneficiary" (p. 7).

As a result of characterizing value-in-use as a phenomenological experience (Schembri, 2006; Vargo and Lusch, 2008; Helkkula *et al.*, 2012), the scope of the concept widened significantly. Value-in-use has since been seen as a dynamic and longitudinal phenomenon, continuously emerging through use experiences (Heinonen *et al.*, 2013). Particularly SL emphasizes value-in-use as a dynamic and evolving experiential process. For example, Grönroos and Voima (2013) state that value-in-use "accumulates over time through experiences during usage" (p. 136). According to the SL view, value-in-use is longitudinal and develops over time, just like experiences. Even though the dynamic aspect of value-in-use is recognized within SDL (Vargo and Lusch, 2008), value-in-use is still seen as an outcome of value-creating processes, not a processual experience in itself.

Ranjan and Read (2016), who provide perhaps the most comprehensive conceptual framework of value-in-use, define the concept as "the customer's experiential evaluation of the product or service proposition beyond its functional attributes and in accordance with his/her individual motivation, specialized competences, actions, processes, and performances" (p. 293). As can be seen from their above definition, the authors join the group of scholars advocating for an experienced-based characterization of value-in-use. Moreover, based on a broad literature review, Ranjan and Read (2016) identify three theoretical dimensions that comprise value-in-use: experience, personalization, and relationship. Experience refers to emotional and empathetic aspects of the customer-provider interaction that the customers find enjoyable and

memorable. Personalization relates to the uniqueness and customization of the service process with regard to customers' individual needs and wants. Relationship represent positive interaction, collaboration, and reciprocity between the customer and the provider. The main limitation of Ranjan and Read's (2016) conceptualization of value-in-use is that it only considers positive outcomes and thus neglects any possible negative value-in-use resulting from value (co-)destruction.

In contrast, Grönroos and Voima (2013) emphasize the possibility for value-in-use to evolve negatively as well as positively and define value-in-use as "the extent to which a customer feels better off (positive value) or worse off (negative value) through experiences somehow related to consumption" (p. 136). In fact, as Grönroos (2008) points out, service processes can sometimes take negative turns, with the result that customers end up worse off than before. Similarly, Heinonen and Strandvik (2015) explain that customers' processes of integrating offerings in their lives can have positive as well as negative outcomes. Along the same logic, Plé and Cáceres (2010) and Echeverri and Skålén (2011) argue that value-in-use can be co-destroyed as well as co-created in the interactions between customers and firms, hence supporting the rationale for negative value-in-use. In this paper, we therefore assume that service experiences can cause customers to feel worse off as well as better off, depending on how the service process develops.

### *Service quality*

Service scholars have discussed the topic of service quality since the early 1980s and its conceptualization is by no means obvious or self-evident (Brady and Cronin, 2001; Edvardsson, 2005). According to Gummesson (1993), a fundamental reason for the debate about the nature of service quality is the subtle and complex nature of its components: services and quality. Quality itself has been described as "an unusually slippery concept, easy to visualize and yet



exasperatingly difficult to define” (Garvin, 1988, p. xi). Services are similarly complex by nature, which has contributed to the problem of defining what quality in services actually means. Service quality has therefore been referred to as an “elusive” concept (Parasuraman *et al.*, 1985). Interestingly, Grönroos (2001) explains that his original research focus was on service features and suggests that if he had used that term instead of service quality, perhaps much confusion would have been avoided among service scholars.

Two main conceptualizations of service quality can be found in the marketing literature: the Nordic School perspective and the American School perspective (Asubonteng *et al.*, 1997; Mels *et al.*, 1997). The Nordic perspective (Grönroos, 1984) has revealed two major service quality dimensions: technical quality (the outcome of the service) and functional quality (the service process). As retail banking is the empirical context of this study, it is worth noticing that Nordic School researchers Holmlund and Kock (1996) also identified an economic quality dimension in banking services, representing economic features such as interest, charges, and service fees. Interestingly, Wong and Sohal (2002) independently found support for a similar economic dimension of service quality in the context of retail chain departmental stores. The American perspective (Parasuraman *et al.*, 1985) initially identified ten determinants of service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customers, and tangibles. Later, these ten determinants were further purified and reduced into five components: reliability, responsiveness, empathy, assurances, and tangibles (Parasuraman *et al.*, 1988).

In the Nordic perspective as well as the American one, the conceptualization of service quality is based on the disconfirmation paradigm from early customer satisfaction research (Oliver, 1977, 1980). When applied to the concept of service quality, the disconfirmation theory holds that customer-perceived service quality results from a comparison between expected service and experienced service (Grönroos, 1984; Parasuraman *et al.*, 1985, 1988). As Carman (1990)

points out, service quality evaluations are highly complex processes. Service researchers have therefore tried to integrate the Nordic and American service quality models and thus view them as complementing rather than conflicting (Brady and Cronin, 2001).

#### *The relationship between value-in-use and service quality*

To the best of our knowledge, only Macdonald *et al.* (2011) have explicitly analyzed the relationship between service quality and value-in-use. The authors define value-in-use as “a customer's outcome, purpose or objective that is achieved through service” (p. 671). Service quality is equated to the service provider's process of supporting the customer in a way that facilitates the creation of value-in-use. The study was conducted in the context of B2B services, and in line with their definitions of value-in-use and service quality, respectively, Macdonald *et al.* (2011) concluded that service quality is an antecedent of value-in-use. The conclusion that there is a causal relationship between service quality and value-in-use echoes previous literature examining service quality as an antecedent to customer-perceived value, a concept related to, but not identical to value-in-use (Cronin *et al.*, 2000; Parasuraman and Grewal, 2000).

While value-in-use relates to positive or negative consumption experiences (Grönroos, 2011), customer-perceived value is conceptualized in the literature as a function of what the consumer gets for what is given (Zeithaml 1988; Taylor, 1993). In service contexts, many scholars consider service quality to represent what the customer gets from the service and price what the customer gives (Rust and Oliver, 1994; Hellier *et al.*, 2003). According to this view, customers choose service offerings based on their respective value-for-money ratios. As service quality is considered to be the major “get” component of the customer-perceived value equation, it becomes an important antecedent of such value perceptions. However, despite much discussion, no clear consensus exists in the service marketing literature regarding the precise nature of the

relationship between service quality and customer-perceived value, and the same is even more true for value-in-use and service quality (Hu *et al.*, 2009; Leroi-Werelds, 2019).

## **Method**

For the purpose of this study, we employed a narrative-based adaptation of the critical incident technique (CIT) and a graphical tool we call the value chart (see Figure 1). The CIT has been widely used in service marketing research for over 30 years (Gremler, 2004). In fact, the method has been instrumental in advancing our understanding of many fundamental service topics, such as service employee behaviors associated with customer satisfaction and dissatisfaction (Bitner *et al.*, 1990), customer switching behavior in service industries (Keaveney, 1995), and customer service evaluations (Odekerken-Schröder *et al.*, 2000).

[Figure 1 about here]

However, a traditional CIT approach (Flanagan, 1954) was not used in the current study as it only generates static typologies of critical incidents (Roos, 2002) and is therefore not suitable for studying a dynamic phenomenon such as value-in-use. Our narrative-based CIT approach is characterized by a more processual design and can be described as a mix, adaptation, and development of several existing CIT variants (Flanagan, 1954; Olsen, 1992; Nyman *et al.*, 2011). Our CIT approach also bears some resemblance to the popular market research tool customer journey mapping (CJM). The key difference, however, is that while CJM represents hypothetical or aggregated customer journeys, including recommended managerial practices and actions at each touchpoint of the service process (Halvorsrud *et al.*, 2016; Rosenbaum *et al.*, 2017), our research design focuses exclusively on the individual customer's service experience and his/her feelings of being better off (positive value-in-use) or worse off (negative value-in-use).

We chose to conduct our study in the context of retail banking for several reasons. First, retail banking is acknowledged in the literature as a typical service industry (Shostack, 1982; Devlin, 1995; Lytle and Timmerman, 2006) and this context thus fits very well with our objective of analyzing value-in-use from service customers' point of view. Second, retail banks and their customers usually have frequent (indirect or direct) contact or interaction (Storbacka, 1997; Hansen *et al.*, 2003) which is required for creation (or destruction) of value-in-use. Finally, retail banking as an industry is characterized by long-term customer relationships (Reichheld, 1996; Nordman, 2004; Bodh Bhatnagar *et al.*, 2017) which makes it an ideal context in which to study a dynamic concept such as value-in-use, that can evolve positively or negatively over long periods of time.

The study was conducted in Finland. All Nordic banks, including Finnish ones, have for a long time been at the global forefront when it comes to technology use and their focus on quality of service delivery to their customers (Flohr Nielsen, 2002; Liebach Lüneborg and Flohr Nielsen, 2003). Furthermore, the retail banking industry in all Nordic countries is characterized by increased competition, mergers, acquisitions, and major technological developments (Flohr Nielsen *et al.*, 2003; Nätti and Lähteenmäki, 2016). This transformation of the Nordic banking industry over the last three decades has created internationally competitive retail banks (Berglund and Mäkinen, 2019). Consequently, Finnish retail bank customers' experiences of value-in-use are most likely representative for today's retail bank customers around the world.

We recruited 26 customers from Finland's four largest retail banks as informants (see Table 2; note that all names have been changed for the sake of anonymity). The sample included 15 men and 11 women and their age was between 27 and 80. We also aimed for diversity in terms of customer profiles and purposefully selected both informants who used basic banking services as well as those who utilized more advanced services such as private wealth management. Our strategy for recruiting informants can be described as criterion sampling, which means that we

selected informants that met certain predetermined criteria (Patton, 2002; Silverman, 2011). In addition to criteria for age, gender and customer profile to achieve a balanced sample, the main criterion for recruitment was that a prospective informant could clearly remember a positive and/or negative bank service process.

[Table 2 about here ]

Narrative interviews allowed our informants to share their experiences in their own words (Eriksson and Kovalainen, 2008). The interviews were digitally recorded, lasted between 40 and 120 minutes, and were later transcribed verbatim for analysis. We only asked the informants to tell us stories about positive and/or negative bank service processes, without mentioning value-in-use, service quality, or any other related theoretical concept. This was in line with our definition of value-in-use (the feeling of being better or worse off) as well as our ambition to produce an empirical account of the informants' experiences of value-in-use. As a result, our 26 informants shared a total of 53 positive and negative retail bank service stories. The stories covered a wide range of bank services and included everything from financial advising and wealth management to the opening of bank accounts and renewal of credit cards.

During the interviews, we also presented the value chart to the informants and encouraged them to visually illustrate, by drawing and writing in the chart, what happened before, during, and after a service process and how their feelings of being better or worse off developed over that time (for an example, see Appendix 1). As Gummesson (2017) observes, "pictures can sometimes be very factual and reveal things that are difficult to communicate through words" (p. 214). While the informants drew and wrote their service stories in the value chart during the narrative interviews, their accounts of their experiences further strengthened. It also decreased the risk for their stories to be misinterpreted by the researchers. Graphical instruments generally

make it easier for informants to communicate the feelings and emotions associated with certain experiences (Scherer, 2005).

The data from the interviews were analyzed by reading through the interview transcripts several times as well as studying the related value charts. During this process, we developed categories based on recurring key themes (Miles and Huberman, 1994). By coding each bank service story according to its key theme, we could categorize the data while preserving the context and narrative flow of the stories. As the categorization of narrative data can be done in different ways, we decided to focus on the content of the stories (what is told) rather than the structures of the stories (how the stories are told) (Makkonen *et al.*, 2012). Analyzing the content of stories is similar to traditional qualitative content or thematic analysis and involves categorizing patterns in the data (Patton, 2002; Elliot, 2005). To ensure the validity of our categories, we continuously revisited the data. After deriving a stable set of categories, we compared and further refined them to ensure distinctiveness (Spiggle, 1994).

## **Findings**

The analysis of the bank service stories allowed us to identify seven dimensions of our informants' experiences of positive and negative value-in-use: *solution*, *attitude*, *convenience*, *expertise*, *speed of service*, *flexibility*, and *monetary costs*. The set of dimensions and the labels for them that we have used are derived from the empirical material. We have not looked for types of dimensions suggested in the literature on value-in-use, service quality, or any other literature. Next, we will present these empirical dimensions of value-in-use in more detail using illustrative examples from the bank service stories of our informants.

### *Solution*

Solution refers to the degree to which the service provider solves the customer's problem. When a customer seeks help to correct or solve something, the service provider ideally provides a successful solution to the problem. Such a situation can be illustrated by the story of our informant Erica. She could not pay online with her VISA Electron debit card and went to the bank asking why. A clerk explained that she could activate a free service, which would allow her to pay safely online without restrictions. All she needed was an additional security code the bank provided for free. In the end, Erica was very pleased with this solution.

It was great to find out that I could activate my VISA Electron for online purchases. I had no idea about this and had expected that a normal credit card was the only way to buy online. I was very happy to find this solution, and I'm glad I went to the bank office, something I rarely do otherwise. Now, all I needed was to wait a couple of days for the security code to arrive by mail, sweet! – Erica

Unfortunately, there are also situations when a service process ends without a satisfying solution to a customer's problem. In such cases, the service provider cannot, or will not, provide a solution to the customer's problem. An example of this is illustrated in the negative story of our informant Amy. She had to renew her expiring VISA Electron debit card and expected it to be a routine errand. But the bank refused to issue a new card as Amy was a foreigner without a valid national ID card. As no solution was reached, Amy felt very disappointed.

If I wanted a VISA Electron, she [the clerk] said I had to get a national identity card, but my [foreign] passport has always worked, it used to work, also when I lived in another country. I didn't really believe her, but it was afternoon, a small office, and no other bank clerks there. I started to feel really angry and realized I can't do anything about this. I still don't know but suspect she had misunderstood the rules. – Amy

### *Attitude*

Attitude refers to the attitude of the service staff toward the customers. Preferably, the customers feel that the service staff give them personal attention, show respect and consideration, and are willing to help them solve their problems in a positive and friendly way. The story of our informant Josephine illustrates the strong impact a genuinely warm and friendly attitude of the staff can have on customers in a service business. Josephine needed study loan funding and initially felt unpleasant about going to the bank. However, as she sat down with a very friendly and encouraging clerk, she felt much better and later walked out of the office happy.

You never know if you get one of these snooty bank employees who think you're a poverty-stricken student...but instead [the clerk] respected my education and considered what I did as valuable and even gave me tips and advice. She gave me her business card, which I have saved in my purse for years, it probably lies there still. I wanted to save it because she was so friendly and nice, and I thought that she could maybe help me in the future if needed. – Josephine

Sadly, service staff sometimes also show an unfriendly and cold attitude toward the customers. In such cases, the customers feel that the service staff are uninterested and unwilling to help them solve their problems. Service staff can also be perceived as irritated, angry or even disrespectful, as the story of our informant Eric illustrates. Eric had to close his deceased wife's bank accounts and went to the bank. The clerk, however, asked him to prove that his wife had no adult children with any other men. This comment made Eric very upset and he felt it was an insult to him and his late wife.



The disrespectful bank clerk in the cashier's desk then told me, "We cannot close the accounts as we don't know if your [deceased] wife had more children, can you prove it?" I lost my composure and became very angry. – Eric

### *Convenience*

Convenience represents the overall easiness and smoothness of the service process for the customer. A convenient service process without any problems is the aim of service providers and customers alike. In such cases, the customers feel that all the activities associated with the service are performed excellently by the service provider. In short, everything works perfectly in the eyes of the customer. One of our informants, Patrick, told us about such an experience with his bank. More specifically, he was presented with a rare business opportunity and needed to borrow money quickly. He decided to try his bank's automated online application process. Patrick got an instant approval of the loan and considered the process to be extremely convenient and smooth.

So, I made the [online loan] application, it was nice and well instructed, and there was like a help link in every field to be filled out. It was nicely designed in terms of user interaction. They had really thought about it; there wasn't a field I didn't know how to fill out. Once the form was filled and I had signed it electronically, it immediately said that everything is okay, you have money! – Patrick

But not all service processes are that easy. In fact, several of our informants shared stories about frustrating service processes that were problematic, difficult, and involved several problems. The informants typically faced obstacle after obstacle in their attempt to get what they needed from the service provider. William's story illustrates such a frustrating bank service process. William needed a car loan and assumed he would get one with good terms and conditions rather

easily. However, the application process was more complicated than he expected, and as a result, William ended up feeling frustrated.

Before I went there, I anticipated that I would get the loan approved immediately, without any problems; I knew people at the office. When I came there, however, it turned out that I needed to schedule an appointment to apply for the loan; it was frustrating. – William

### *Expertise*

Expertise refers to the degree of competence, skill, and knowledge shown by the service staff. Customers want to feel that the staff has the expertise needed for carrying out the service in a proper way. The bank service story shared by our informant Albert exemplifies the importance of a competent service staff. Albert needed help with his first international money transfer and felt a bit anxious. However, the young clerk who helped him turned out to be very knowledgeable about such transfers, and consequently, Albert felt very relieved and satisfied.

I explained the [international money] transfer I needed to do, and he said, it's simple, I do it every day. And I really liked this I-do-it-every-day statement because I felt he knows how to do it. It's not like, let me find out, and then he picks up some manual or something. – Albert

In contrast, an unskilled and incompetent member of the service staff can ruin the service process. If customers feel that the staff do not possess the competence, knowledge, or skills to execute the service correctly, they will become dissatisfied and perhaps even switch service provider. This is what happened to our informant Emma, who because of an incompetent bank clerk eventually switched bank. She was planning to buy an apartment and scheduled a meeting with a clerk at her bank to discuss a possible mortgage. Instead, the clerk only wanted to discuss

insurances and Emma believes he was not knowledgeable about mortgages, but more of an insurance salesman.

A lot has to do with the bank clerk you're dealing with, how competent he or she is. In this case, he was more of a salesman than a knowledgeable clerk; he didn't seem to know much about mortgages. – Emma

### *Speed of service*

Speed of service relates to how quick and rapid the service delivery process is. Customers typically want to feel that the service provider and its staff respond promptly to their requests. Our informant Gabrielle shared a typical example of this involving short queues at her local bank office. More specifically, Gabrielle had lost her Internet banking codes and went to the bank office to ask for new ones. She immediately noticed the short queues in the office and became positively surprised. She received a new set of codes in couple of minutes and felt relieved.

The queues were short; it didn't take much time to get to the counter. I told what happened, showed my identification, and the person behind the counter looked suspiciously at me to start with. But when she checked my ID and confirmed I was a customer of their bank, it only took a little while before I got a new list of codes, immediately on the spot! – Gabrielle

In the case of long queues or waiting time, customers often feel that the service provider is not making an effort to assist them and thus is ignorant or indifferent to their needs. The bank service story shared by our informant Elizabeth is a perfect example of this. Elizabeth and her husband had to go to the bank office to activate an electronic billing service. She became

irritated when they had to wait for a long time despite that several clerks in the office were available.

When we went to get that electronic billing service fixed, everybody in the bank office just sat there, nobody had customers. And we were the only ones in the office who sat there and waited, waited, and waited, and nobody even looked at us! – Elizabeth

### *Flexibility*

Flexibility refers to the willingness of the service staff to adjust and tailor their services to meet the individual needs of the customer. As illustrated by the story of our informant Philip, customers typically appreciate when the service provider makes an effort to understand and accommodate their individual situation. Philip had to transfer his money to a new bank account. To accommodate his needs, a bank clerk who spoke his own language came to help him at the local office outside normal opening hours. Philip was very pleased with the service.

Normally, she worked at a larger office, but took the time to come here and help me, and in my own language! She was very nice and accommodating in all possible ways and recommended an account with a good interest rate. – Philip

However, if the service provider strictly follows standardized routines and guidelines, customers easily feel they are not being treated and served on an individual basis. Matthew, another of our informants, had such an experience. Namely, Matthew planned to buy a home and had visited several banks and received different mortgage offers. When checking with an additional bank, he was denied a mortgage with the motivation that his income was currently too low. Matthew felt upset over the bank's inflexibility to see beyond his current income situation, which he claimed was of temporary nature.

I was so disappointed with their protocol; the person was not mean, but she had some protocol that she followed and was not willing to negotiate [a mortgage] at all. She said there's nothing they can do for me, and I said why not? She said because of your current income you're categorized in our low-income category. – Matthew

### *Monetary costs*

Monetary costs refers to the customer's perception of the service provider's fees, charges, or interest as advantageous or unfavorable. When the customer expects a higher price than the actual cost of the service, he/she often becomes delighted over the seemingly low price. An example of this can be found in the story of our informant Michael. He searched for a new credit card on his bank's website and was surprised to discover that he was entitled to a card without any annual fee. The new card also came with superior terms and conditions, and as a result, Michael felt really pleased.

It feels good to have a credit card with better terms and conditions than before, and pay less for it. The annual fee of my old credit card always disturbed me. You know, I'm already paying interest on the credit, why should I then pay an additional fee? – Michael

On the other hand, if the customer's price expectation is lower than the actual cost of the service, he/she will typically become disappointed and frustrated over the service provider's seemingly high price. Such a negative reaction over pricing could clearly be seen in the story of our informant Adam. He needed a copy of his bank statements of transactions for the last few years. At the bank office, a clerk informed him that it would cost a substantial amount. Adam could hardly believe this to be true and became very upset.

She [the bank clerk] came and told me how expensive a bank account statement would be. A few years of bank account statements would amount to a very high sum. I thought,

are you kidding me? Paying that much to get statements of my own account; it's just pieces of paper. I felt disgusted, stupid, and I thought this is the worst bank in the world.

– Adam

### *Theoretical framework of value-in-use in the retail banking context*

Drawing upon Ranjan and Read's (2016) initial work, a theoretical framework was developed based on the findings of this study in the context of retail banking, depicting empirical and theoretical dimensions of value-in-use and resulting positive and negative value-in-use (Figure 2). Six of our seven empirical dimensions of value-in-use could be directly linked to Ranjan and Read's (2016) three theoretical dimensions of value-in-use. *Attitude* and *convenience* refer to emotional aspects of the customer-provider interaction and thus fit closely with Ranjan and Read's (2016) Experience dimension of value-in-use. *Flexibility* correlates well with their Personalization dimension of value-in-use, which is characterized by the uniqueness of the service process with regard to customers' individual needs. *Expertise*, *solution* and *speed of service* all reflect the interactive service processes that constitute the basis of Ranjan and Read's (2016) Relationship dimension of value-in-use.

[Figure 2 about here]

*Monetary costs*, however, did not fit into Ranjan and Read's (2016) existing conceptualization of value-in-use. Consequently, we created a new theoretical dimensions of value-in-use called Sacrifice to complement Ranjan and Read's (2016) three current theoretical dimensions of value-in-use. Sacrifice refers to what customers must pay or give up to receive the service in question, e.g. fees, charges, or interest. Sacrifice has typically not been included or discussed in connection to value-in-use, which tends to be conceptualized as having only positive elements. But a positives-only approach to value-in-use does not make sense as sacrifices are

an inherent part of the service experience and whether or not it results in the feeling of being better off (positive value-in-use) or worse off (negative value-in-use).

*Value-in-use and service quality: two sides of the same coin?*

After further interpretation of our findings in the context of traditional service marketing literature it became clear that our seven empirical dimensions of value-in-use overlap considerably with previously identified dimensions of service quality (Table 3). For example, Grönroos' (1984) technical (outcome-related) and functional (process-related) dimensions of service quality are conceptually very similar to our dimensions of value-in-use labelled as *solution* and *convenience*. Similarly, in their conceptual model of service quality, Parasuraman *et al.* (1985) present several dimensions that closely resemble the following of our empirical value-in-use dimensions: *attitude*, *expertise*, *speed of service*, and *flexibility*. In addition, *monetary costs* associated with the service have been identified as an economic dimension of service quality (Holmlund and Kock, 1996; Wong and Sohal, 2002). Thus, what matters empirically for service customers seem to be a similar set of service features irrespective of whether their service experiences are studied through the lens of value-in-use or service quality.

[Table 3 about here]

## **Discussion and theoretical contribution**

The purpose of this study was to provide an empirical account of value-in-use from service customers' point of view, and it has four main contributions. First of all, to our knowledge, this is the first study of value-in-use in a typical service context such retail banking that in its research design considers the dual (positive and negative) and well as dynamic nature of value-in-use. Previous studies on value-in-use in the service literature are either of conceptual nature or focus only on positive or static outcomes (e.g., Macdonald *et al.*, 2011; Ranjan and Read,

2016; Sweeney *et al.*, 2018). Second, we demonstrate that all empirical dimensions of value-in-use identified in this study, as well as previously presented value-in-use dimensions of theoretical nature by Ranjan and Read (2016), can be positive as well as negative. The destruction of value and negative value-in-use have so far received very limited attention in the contemporary service marketing discussion (Leroi-Werelds, 2019). Third, we introduce a sacrifice element to Ranjan and Read's (2016) existing conceptualization of value-in-use. Sacrifices customers make to obtain services they need or want are common reasons for their feelings of being worse off (negative value-in-use), but also for feelings of being better off (positive value-in-use) if the sacrifices (e.g., service fees) are smaller than expected by the customer. Finally, we show that empirically derived dimensions of value-in-use in a typical service context such as retail banking inevitably overlaps with well-established service quality dimensions.

By empirically demonstrating that value-in-use can evolve negatively as well as positively, our study confirms the existence of negative value-in-use, which has earlier been suggested by service scholars such as Plé and Cáceres (2010) and Grönroos and Voima (2013). In the current study, we found that the same dimensions of value-in-use made customers feel better off as well as worse off and thus were the reasons for the emergence of positive as well as negative value-in-use. The finding that all dimensions of value-in-use have the potential to create as well as destroy value for the customer is in line with Heinonen and Strandvik (2009), who argue that most service features possess both value-increasing and value-decreasing elements and thus can be experienced by customers as either positive or negative. Similarly, previous service quality studies have shown that the same set of dimensions of service quality can make customers satisfied as well as dissatisfied with the service (e.g., Bitner *et al.*, 1990; Johnston, 1995; Grove and Fisk, 1997). This shared characteristic between service quality and value-in-use in service contexts further supports the evidence of an empirical overlap between the concepts.



The overlap between the empirical dimensions of value-in-use identified in our study and the service quality dimensions previously identified in the service marketing literature reveals an interesting paradox. Namely, that at least in this case of retail banking, service customers seem to experience value-in-use in terms of well-established service quality dimensions. Interestingly, service researchers (e.g., Gummerus and Philström, 2011; Plewa *et al.*, 2015; Sweeney *et al.*, 2018) have identified several factors of value-in-use such as service process efficiency, expertise, convenience, and monetary costs that have obvious similarities with our own results as well as dimensions of service quality. To the best of our knowledge, however, our study is the first to raise the notion that in the minds of service customers, value defined as value-in-use and service quality may represent the same empirical phenomenon. Although there are theoretical differences between the concepts in the literature, the findings of this study indicate that a distinction between value-in-use and service quality may have little or no relevance in service practice.

We especially recommend service researchers to pay attention to this overlap between service quality and value-in-use when it comes to measurements of these concepts. Namely, our findings suggests that service customers do not experience value-in-use as any different from service quality. Consequently, by measuring customer-perceived service quality (see, for example, Cronin and Taylor, 1992, 1994; Parasuraman *et al.*, 1994), we might also be measuring value-in-use. Service quality could therefore be a good proxy for assessing experiences of value-in-use in service contexts. This observation is particularly important as service researchers have recently tried to measure value-in-use as something separate from service quality (e.g., Plewa *et al.*, 2015; Sweeney *et al.*, 2018).

The fact that the empirical phenomena of value-in-use in service contexts and service quality seem to be the same should not necessarily come as a surprise. As Coombs *et al.* (1970) note, it is not uncommon that different theoretical models within a scientific discipline represent the

same empirical phenomenon. A possible reason in this case is that the concepts of service quality and value-in-use were introduced in different, and somewhat separated, streams of marketing literature – namely, the former in traditional services marketing research (e.g., Grönroos, 1984; Parasuraman *et al.*, 1985, 1988) and the latter in the more recent service perspective on marketing theory (e.g., Vargo and Lusch, 2004, Grönroos, 2008).

### **Managerial implications**

Several important managerial implications can be drawn from this study. To start with, service providers must realize the importance of successfully managing our seven empirical dimensions of retail banking customers' experiences of value-in-use. If no *solution* to a customer's problem is provided, the customer will most probably feel worse off. However, solving the customer's problem is not always enough for positive value-in-use to emerge. The service also must be provided in a way that the customer appreciates (cf. Grönroos, 1984). Hence, service managers must make sure that their staff are properly trained and thus has the required *expertise* to perform the service and a friendly *attitude* toward customers. Also, the service staff should have the authorization to show customers *flexibility* in the service delivery when needed. A smooth and easy service delivery process without hiccups means *convenience* for the customer and is typically much appreciated. Customers also give attention to the *speed of service*. Hence, service managers must make sure that the staff are willing and ready to provide prompt service to customers. Lastly, *monetary costs* matter to most customers and service managers should therefore strive for competitive pricing of their service offering.

Moreover, the findings of this study have important implications for service managers who wish to measure the value-in-use experienced by their customers. Measuring value is acknowledged as difficult and challenging by marketing scholars due to the abstract and elusive nature of the concept (Ulaga, 2003; Sánchez-Fernández and Iniesta-Bonillo, 2007; Gallarza *et al.*, 2017). The

fact that measuring customer-perceived service quality might assess service customers' experiences of value-in-use as well is helpful for practitioners. Procedures for measuring service quality have existed for a long time now and are well-proven (Parasuraman *et al.*, 1988; Cronin and Taylor, 1992, 1994; Brady *et al.*, 2002). Hence, establishing service quality measurement routines will save cost and time compared to initiating measurement programs for value-in-use. According to this study, customer-perceived service quality could be a reliable indicator or proxy of experienced value-in-use in service contexts.

In addition, service managers need to be aware that most service features can be value-increasing as well as value-decreasing, depending on for example customers' expectations. In other words, value-in-use is always individually and contextually determined by each customer (Grönroos, 2011). But this does not mean value-in-use emerges randomly and cannot be managed. The findings of this study also show how the same service setting (in this case, retail banking) produces a limited and reoccurring (although individual) set of reasons for customers' feelings of being better or worse off. This is positive for service managers as it means that by identifying and managing the most important service features, they not only facilitate positive value-in-use but also avoid negative value-in-use. The insight that the same features of the service have the potential to create as well as destroy value-in-use can be used to better manage customers' experiences of value-in-use in different service contexts.

### **Limitations and further research**

This study also has some limitations. First, customers' experiences of value-in-use were studied only throughout isolated service processes. However, value-in-use can evolve over longer periods – for example, throughout entire customer relationships (Heinonen *et al.*, 2013). Consequently, our study might have missed several interesting aspects of how value-in-use is experienced by customers over long periods of time. Second, as with all CIT studies, this study

might also suffer from the problem of recall bias of the informants (Michel, 2001). Such risks of misrepresentations of the experiences of the informants come with many forms of qualitative research but should still be recognized as a limitation of this study. Lastly, in spite of the careful informant selection, the relatively small sample of the empirical study means that any generalizations of the findings should be made carefully.

There are many interesting avenues for future research. While this study focused on service processes that usually range from minutes to weeks, a customer relationship may go on for years or even decades. Therefore, a longitudinal study tracking value-in-use throughout a long-term customer relationship would be particularly interesting. Moreover, as we focused on customers' experiences of value-in-use in service processes, only value-in-use emerging from the interactions with one service provider at a time was considered. Future research should therefore also study customers' experiences of value-in-use resulting from interactions with multiple service providers. Furthermore, a quantitative research approach would allow for the generalization of the identified categories of positive and negative value-in-use. Finally, as this study shows that at least retail banking customers seem to experience value-in-use in terms of well-established service quality dimensions, future research also needs to further clarify the complex relationship between service quality and value-in-use in service contexts.

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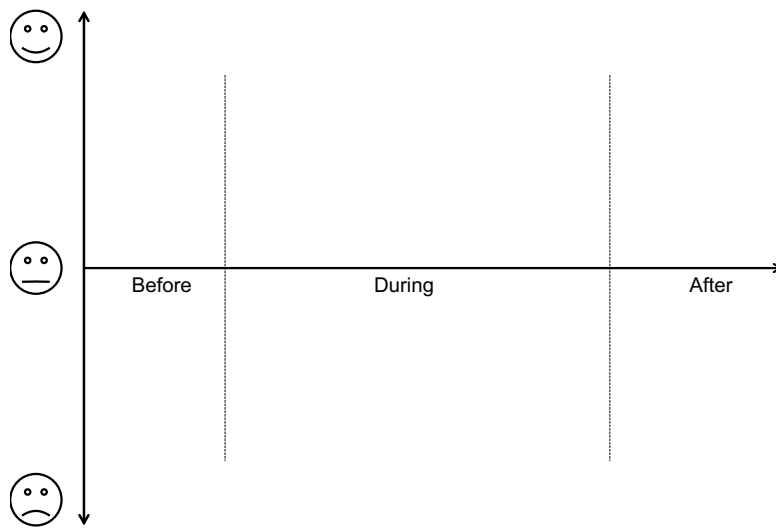
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**Table 1. Definitions of value-in-use in the marketing literature**

Author(s), year	Article type	Definition of value-in-use
Sweeney <i>et al.</i> (2018)	Empirical	“In this study, we ... define value-in-use as “the value that emerges, is created or realised by the customer during their usage of resources”” (p. 1101)
Ranjan and Read (2016)	Empirical	“ViU is the customer’s experiential evaluation of the product or service proposition beyond its functional attributes and in accordance with his/her individual motivation, specialized competences, actions, processes, and performances” (p. 293)
Grönroos and Voima (2013)	Conceptual	“The nature of value-in-use ... is the extent to which a customer feels better off (positive value) or worse off (negative value) through experiences somehow related to consumption” (p. 136)
Macdonald <i>et al.</i> (2011)	Empirical	“We define value-in-use as <i>a customer’s outcome, purpose or objective that is achieved through service</i> ” (p. 671)
Heinonen <i>et al.</i> (2010)	Conceptual	“We argue that value-in-use should be seen as everything that the company does that the customer can use in order to improve his life or business” (p. 543)
Grönroos (2008)	Conceptual	“Value [-in-use] for customers means that after they have been assisted by a self-service process (cooking a meal or withdrawing cash from an ATM) or a full-service process (eating out at a restaurant or withdrawing cash over the counter in a bank) they are or feel better off than before” (p. 303)
Lusch <i>et al.</i> (2008)	Conceptual	“Value-in-exchange might represent expected utility, but it is not the actual utility; utility (value-in-use) can only be realized by and in the context of the life of the customer” (p. 12)
Sandström <i>et al.</i> (2008)	Conceptual	“Value in use is the evaluation of the service experience, i.e., the individual judgment of the sum of all the functional and emotional experience outcomes” (p. 120)
Vargo and Lusch (2008)	Conceptual	“Value [-in-use] is idiosyncratic, experiential, contextual, and meaning laden” (p. 7)
Payne and Holt (2001)	Conceptual	“Value-in-use, as the name suggests is a functional outcome, a goal purpose or objective that is served directly through product consumption” (p. 162)
Flint <i>et al.</i> (1997)	Conceptual	“Value in use reflects the use of the product or service in a situation to achieve a certain goal or set of goals” (p. 170)

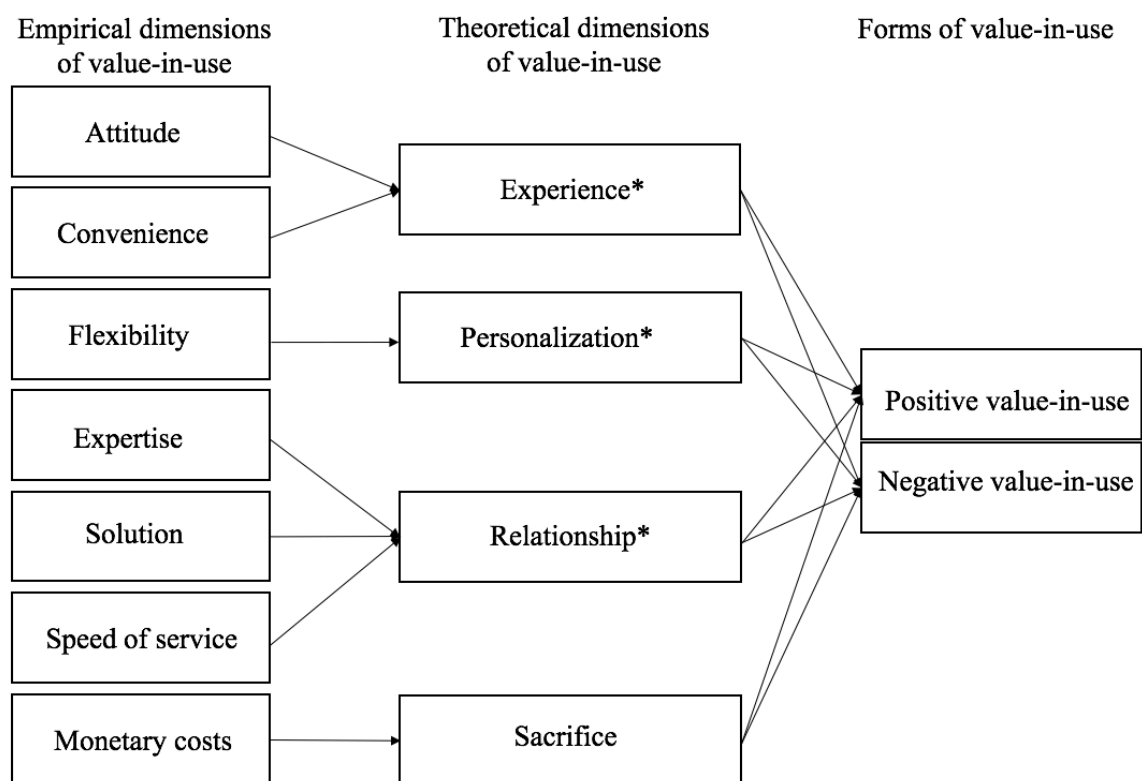
**Figure 1. Value chart for tracking value-in-use throughout a service process**



**Table 2. Information about informants**

<b>Name</b>	<b>Gender</b>	<b>Age</b>	<b>Interview length</b>	<b>Number of stories</b>
Adam	Male	33	55 minutes	1 negative
Albert	Male	28	65 minutes	1 positive
Alex	Male	26	45 minutes	1 positive, 1 negative
Amy	Female	28	60 minutes	1 positive, 1 negative
Anna	Female	30	60 minutes	2 positive, 1 negative
Bridget	Female	57	40 minutes	1 positive, 1 negative
Carl	Male	80	65 minutes	1 positive, 1 negative
Emma	Female	29	60 minutes	1 positive, 1 negative
Elizabeth	Female	76	45 minutes	1 negative
Erica	Female	35	50 minutes	1 positive
Eric	Male	65	70 minutes	2 negative
Felix	Male	27	55 minutes	1 positive, 2 negative
Gabrielle	Female	60	75 minutes	1 positive, 1 negative
John	Male	38	90 minutes	1 positive, 1 negative
Josephine	Female	34	50 minutes	1 positive, 1 negative
Lillian	Female	69	60 minutes	1 positive
Margaret	Female	70	45 minutes	3 positive, 1 negative
Mark	Male	45	70 minutes	1 positive, 1 negative
Mary	Female	34	50 minutes	1 positive, 1 negative
Matthew	Male	32	80 minutes	1 positive, 2 negative
Michael	Male	39	50 minutes	1 positive
Patrick	Male	32	45 minutes	1 positive, 1 negative
Peter	Male	30	60 minutes	1 positive, 2 negative
Philip	Male	80	45 minutes	1 positive, 1 negative
Thomas	Male	49	120 minutes	1 positive, 2 negative
William	Male	65	120 minutes	1 positive, 1 negative

**Figure 2. Theoretical framework of value-in-use**



\*Ranjan and Read (2016)

**Table 3. Dimensions of value-in-use and service quality**

<b>Dimensions of value-in-use</b>	<b>Dimensions of service quality</b>	<b>Article examples</b>
Solution	Technical	Grönroos (1984)
Convenience	Functional	Grönroos (1984)
Attitude	Courtesy	Parasuraman <i>et al.</i> (1985)
Expertise	Competence	Parasuraman <i>et al.</i> (1985)
Speed of service	Responsiveness	Parasuraman <i>et al.</i> (1985)
Flexibility	Understanding the customer	Parasuraman <i>et al.</i> (1985)
Monetary costs	Economic	Holmlund and Kock (1996)

## Appendix 1 Josephine's original value chart (electronically reproduced)

