

# Chapter 1

## Customer Perceived Values and Consumer Decisions: An Explanatory Model

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### **ABSTRACT**

*Building on findings from previous research on dimensions of Consumer Perceived Values (CPVs), an Integrated Consumer Perceived Value Model comprising utilitarian, hedonic, and social values is proposed to explain observed consumer decisions (viz. purchase or do not purchase), and to provide new frontiers for consumer behaviour research. The distinguishing if not innovative features of the proposed model are: (1) it provides a framework to investigate the competing, complementary, and compensating effects of the CPV dimensions; (2) it distinguishes the CPV dimensions that affect consumer decisions specifically and those that affect consumer decisions homogeneously; and (3) while some CPVs are generated and interact serially, other CPVs could be generated and interact in parallel.*

### **INTRODUCTION**

In the past decades, much of the consumer perceived value (CPV) and shopping motivation studies have investigated the CPV dimensions on consumer behaviour, viz. the CPVs have been categorised into over 20 dimensions (Rintamaki *et al.*, 2006; and Davis and Dyer, 2012 have provided surveys on these CPV dimensions). Interestingly, in spite of these developments, there is very limited literature if at all explaining consumer decisions with these CPV dimensions. Imagine this scenario. In cutting her hair, Lady A sometimes goes to a

corner barber shop where the cost of a hair cut is \$30. At other times, she goes to a boutique hairdresser where the cost of a hair cut is \$150. How could we explain consumer decisions like this with CPV dimensions? This is the objective of the chapter, integrating utilitarian, hedonic and social CPV dimensions into a model to explain consumer decisions. These CPV dimensions have competing, complementary and compensating effects against one another; the model captures the interaction effects of these CPV dimensions, and explains consumer decisions accordingly.

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The remainder of the chapter is organised as follows. The value concepts in consumer behaviour are first discussed, as an introduction to the utilitarian, hedonic and social values within the CPV context. Supplemented by illustrative examples, a model is then proposed to analyse consumer decisions, together with explanations of its distinguishing features and applications. Managerial implications of the model and future research directions are discussed before the conclusion.

In the context of this chapter, the term *product* encompasses both tangible products (e.g. a car, a computer, a handbag) and intangible products (viz. services such as air travel; tennis lessons; a plumber fixing a gas leak in a residential property).

## **BACKGROUND**

### **Origins and Concepts of Customer Perceived Values**

There could be various origins of the CPV concepts. The economic concept of experienced utility, the utility associated with pleasures of consumption or from total wealth, dated back to Daniel Bernoulli and Jeremy Bentham, could be one. Dewey's theory of valuation (1939, 1966) could be another, as Davis and Dyer (2012) explain. "Under Dewey's rubric, value flows from the fulfilment (solution) of human needs and wants. In a consumer application of this theory, the needs and wants of consumers, as they actually are and as they perceived them, motivate them to enter the marketplace for experiences and acquisitions that may result in fulfilment of those needs and wants – or what Dewey viewed as a solution seeking. When that fulfilment occurs, whether actual or perceived, the consumer then develops a value perception of the experience that is associated with the needs and wants that motivated the foray into the marketplace. That value perception feeds back into the consumer's subsequent consumption experiences" (Davis & Dyer, 2012, p. 117).

Thus, the concept of value has been playing a dominant role in explaining consumer behaviour. However, a precise definition of "value" is elusive; value conceptualizations also vary according to context. In the context of consumer behaviour, there are at least four common notions of the term "value" (Zeithaml, 1988). The simplest and common conceptualization simply equates value with price. The second and third value conceptualizations highlight the exchange process between buyers and sellers: the former represents the trade-off between costs and benefits; while the latter is more specific and sophisticated, and expresses value as a trade-off between perceived product quality and price. The fourth value conceptualization is all inclusive, equating value with an overall assessment of subjective worth of all factors that make up the complete shopping experience, not simply product acquisition. This is the value concept adopted for this chapter, and as many other researchers have done, we call this consumer perceived value (CPV).

However, this concept of CPV is too vague and general to explain consumer decisions. Therefore, as introductory and background reference, we first and briefly (i) outline the history of consumer perceived value (CPV); and (ii) explain the concepts of utilitarian, hedonic and social values, the three general but inclusive dimensions of CPV. Then, we introduce the Integrated Consumer Perceived Value Model with an embedded definition of CPV for consumer decisions.

## **THE CONSUMER PERCEIVED VALUE**

### **Consumer Perceived Value Research: A Historical Perspective**

Consumer behaviour studies probably start with the traditional product-acquisition explanations (e.g. Bloch & Richins, 1983). Understandably, if we still assume today that consumer decisions

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