The impact of service encounter quality in service evaluation: evidence from a business-to-business context

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Abstract
Purpose – This paper aims to examine the impact of service encounter quality within a service evaluation model. The conceptual model seeks to incorporate the following constructs: service encounter quality, service quality, customer satisfaction, perceived value, loyalty to the firm and loyalty to the employees.

Design/methodology/approach – A conceptual model was developed based on a comprehensive literature review. A questionnaire was developed with item measures that captures the constructs in the conceptual model. A survey of business customers was undertaken, and a response rate of 18.6 per cent was obtained. The data are analysed via confirmatory factor analysis and structural equation modelling.

Findings – Service encounter quality is directly related to customer satisfaction and service quality perceptions, and indirectly to perceived value and loyalty. The paper offers insights into the specifics of business-to-business service dynamics by examining the role of service quality, satisfaction, value on loyalty to both employees of the firm and the firm itself. It demonstrates how firms may be able to contribute to the achievement of organisational objectives through careful and creative management of the service encounter.

Originality/value – Research examining the role that service encounter quality plays within service evaluation models is scarce. Moreover, most service evaluation models are operationalised within a retail customer context. The paper addresses both these shortcomings, by examining a comprehensive service evaluation model which incorporates service encounter quality within a business-to-business context.

Keywords Service levels, Customer service quality, Customer satisfaction, Customer loyalty, Business-to-business marketing

Introduction

There is a growing knowledge base studying how service customers conceptualize, perceive, and evaluate services. Researchers and practitioners are now better informed on how service quality is evaluated (Brady and Cronin, 2001; Parasuraman et al., 1988), how customers derive value from a service offering (Fornell et al., 1996; Ostrom and Iacobucci, 1995), what drives customer satisfaction (Choi et al., 2005; Fournier and Mick, 1999), and which factors influence loyalty to a service provider (Gupta and Zeithaml, 2006). As a result of this body of research, the importance of customers’ perceptions of service encounters is increasingly recognized (Namasivayam and Hinkin, 2003). Bitner et al. (1994) noted that from the customer’s point of view, the most immediate evidence of service quality occurs in the service encounter. They called this customer interaction with the firm “moment of truth”. The importance of service encounters, defined by Surpremnant and Solomon (1987) as a dyadic interaction between the customer and service provider is increasingly recognised in service industries. Indeed, service encounters can become an integral part of the image that the customer has of the firm and, in turn, will play an influential role in determining the success of the firm (Bitner, 1990; Bitner et al., 1990). Specifically, Hartline et al. (2003, p. 43) argue that customers “base their evaluations on their perceptions of the service encounter”.

Although marketing academics and practitioners have long been interested in the nature of business-to-business relationships (Dwyer et al., 1987), a review of service encounter literature reveals that it is dominated by work examining retail consumers (Kong and Mayo, 1993; Westbrook and Peterson, 1998). As Jayawardhena et al. (2007) observe, service encounter quality in a business-to-business context tends to be both overlooked at the managerial level (Bitran and Lojo, 1993) and under-researched (Brown et al., 1994; Chumpitat and Paparoidamis, 2004; Hartline and Jones, 1996). In light of this evidence, it is conceivable that an investigation of the role of service encounter quality play in a business-to-business setting would represent a significant avenue of further research. The business-to-business context has a number of characteristics that make it sufficiently different to business-to-consumer context. Specifically, business-to-business
service encounters are often more frequent (Hardy, 1978); are usually signified by a small number of customers, each contributing significant value to the overall business (McNamara, 1972); characterized by closer and deeper interfaces than consumer relationships (Mehta and Durvasula, 1998).

With this in mind, the objective of this study is to develop and empirically test a model of service evaluation within business-to-business exchanges, positioning service encounter quality in an antecedent role in the service evaluation process. As such, this study seeks to evaluate the relationships between the following variables: perceived service encounter quality, service quality, perceived value, customer satisfaction and customer loyalty to both the service provider firm and service provider employee.

The remainder of this paper is structured as follows. The following section will provide background information on the constructs under examination in this study. In this section we will present our conceptual model and detail our hypotheses formulation. The research methodology will then be detailed in the subsequent section. Section three presents the analysis and results of the research. In the fourth section, we discuss the study outcomes and their implications for academics and practitioners. Finally, we present the limitations of the study, and offer directions for future research.

**Conceptual framework**

In order to build the conceptual model, a figure identifying the key constructs included in the study is provided in Figure 1. We argue that service encounter quality is an antecedent of service quality and satisfaction, which in turn influence loyalty to the employee and loyalty to the firm. Our choice of constructs are driven by a literature review. Specifically, we examined literature on how service quality is evaluated (Brady and Cronin, 2001; Parasuraman et al., 1988), how customers derive value from a service offering (Fornell et al., 1996; Ostrom and Iacobucci, 1995; Zeithaml, 1988), what drives customer satisfaction (Anderson and Sullivan, 1993; Choi et al., 2005; Fournier and Mick, 1999), and which factors influence loyalty to a service provider (Gupta and Zeithaml, 2006). Additionally, our conceptualisation is shaped by researchers who have examined groups of factors that contribute to consumers’ overall service evaluations (Cronin et al., 2000; Brady et al., 2005; Kamakura et al., 2002). Based on this review, we also argue that service quality is a direct antecedent of value, which in turn is an antecedent of satisfaction. Detailed conceptual foundations for the model are offered next.

**Loyalty**

There are no universal agreements on the definition of loyalty (Jacoby and Chestnut, 1978; Oliver, 1997; Uncles et al., 2003). Early conceptualisations of loyalty focus on repeat purchasing. For example, Brown (1952) presents a taxonomy of customer loyalty that classifies loyalty into undivided, divided, unstable, and no loyalty. This view was criticised by researchers who argued that such views concentrated excessively on behavioural elements to the detriment of the more attitudinal facets of loyalty (Day, 1969). To arrive at a meaningful measure of customer loyalty we cannot omit the measurement of either attitude or behaviour. Drawing on this body of knowledge, Uncles et al. (2003), contend that there are three popular conceptualizations of loyalty: loyalty as an attitude that leads to a relationship with the brand; loyalty mainly expressed in terms of revealed behaviour (i.e. the pattern of past purchases); and buying moderated by the individual’s traits, circumstances, and/or the purchase situation.

In spite of the considerable energies spent over the years, as Bloemer et al. (1998) observes, customer loyalty focus mainly on products and brands, rather than services. In particular, (Caruana, 2002) argues that loyalty to service firms remains under-explored. As such following the recent work by Jayawardhena et al. (2007), we explore differing and yet interrelated aspects of loyalty: loyalty to the employee and loyalty to the firm.

**Perceived service quality and perceived value**

Perceived value is based on equity theory, which considers the ratio of the consumer’s outcome/input to that of the service provider’s outcome/input, and refers to customers’ assessments of what is right, fair or deserved for the perceived cost of offering (Yang and Peterson, 2004). Perceived costs in this instance include not only monetary payments but also non-monetary sacrifices such as time consumption. Monroe (1990) contends that buyers’ perceptions of value are based on a trade-off between the product qualities they perceive in comparison to the sacrifice they perceive in monetary terms. In other words, service recipients are inclined to feel equitably treated if they believe that the ratio of their outcome to inputs is comparable to the ratio of outcome to inputs experienced by the service provider. Furthermore, as Yang and Peterson (2004) observes, customers often measure a service provider’s ratio of outcome to inputs by making comparisons with its competitor offerings.

Service quality is a widely studied and debated construct (see Brown et al., 1993; Cronin and Taylor, 1992, 1994; Parasuraman et al., 1988; Teas, 1993). Equally, there are many ways of conceptualising and measuring the construct. However, for the purpose of explaining variance in dependent constructs, the weight of the evidence in the extant literature supports the use of performance perceptions in measures of service quality (Parasuraman et al., 1994; Zeithaml et al., 1996), and as such we adopt this view. Service quality is considered to be an influential dimension of perceived value (Andreassen and Lindestad, 1998). According to Hellier et al. (2003), perceived value is positively influenced by perceived
quality. Several scholars have reported that customers’ evaluation of perceived service value depends directly on customers’ evaluation of service quality and the interaction between perceived value and perceived quality remain positive (Hellier et al., 2003; Andreassen and Lindestad, 1998). Furthermore, Sweeney et al. (1999) have claimed that perceived quality is a pivotal construct of perceived value which in turn is a critical factor in the decision making process. In light of these findings, we wish to reconfirm the suggested link, thus:

**H1.** Service quality will be positively related to perceived value.

A number of authors contend that there is a positive correlation between loyalty, service quality and customer satisfaction (for, e.g. Anderson et al., 1994; Cronin et al., 2000; Dabhokar et al., 2000). A similar correlation is found in the business-to-business world (see Gounaris, 2005a; Molinari et al., 2008). The logic here is that the greater the perceptions of overall service quality, the more likely the customers will engage in behaviours beneficial to the firm, for example, loyalty to the firm (Boulding et al., 1993). Indeed a positive relationship between customers’ perceptions of service quality and favourable assessments of the firm has been highlighted by a number of researchers. Specifically, Parasuraman et al. (1988), show a positive and significant relationship between customers’ willingness to recommend the company and their perceptions of service quality. Service quality has been shown to have a significant effect on customers’ intention to repeat purchase in both business-to-consumer contexts (Cronin et al., 2000) and business-to-business contexts (Bendapudi and Leone, 2002). Furthermore, more recently Jayawardhena et al. (2007) demonstrated that overall service quality is positively related to loyalty to the organisation. We therefore wish to reconfirm that:

**H2.** Service quality will be positively related to loyalty to the firm.

Perceived value is consistently shown as a strong predictor of loyalty (Cronin et al., 2000; Sweeney et al., 1999). It is argued that high value is one primary motivation for customer patronage. In this context, Singh and Sirdeshmukh (2000) argue that consumers indicate behavioral intentions toward service providers as long as the relational exchanges provide superior value. They continue that value has been extensively confirmed to drive loyalty, albeit imperfectly. Specifically, customer value regulates “behavioral intentions of loyalty toward the service provider as long as such relational exchanges provide superior value” (Sirdeshmukh et al., 2002, p. 21). However, according to Lam et al. (2004), the complex interrelationships between these constructs are still not well understood in the business-to-business environment. Nevertheless, we wish to confirm the view that if a firm offers value, consumers are likely to remain loyal to that firm. Thus:

**H3.** Perceived value will be positively related to loyalty to the firm.

**Customer satisfaction**

Customer satisfaction has been the subject of much attention in the literature (Oliver, 1980; Rust and Oliver, 1994), because of its potential influence on consumers’ behavioral intentions and customer retention (Anderson and Fornell, 1994; Cronin and Taylor, 1992). A direct positive relationship between perceived value and customer satisfaction has been indicated by a variety of product and services studies (Hellier et al., 2003; Cronin et al., 2000). It is believed that customer satisfaction is a consequence of perceived value (Hallowell, 1996). Fornell et al. (1996) upheld this view and highlighted the importance of the relationship between customer satisfaction and perceived value. In their study, three antecedents of customer satisfaction are identified: perceived value, perceived quality and customer expectations. They go on to emphasize that “the first determinant of overall customer satisfaction is perceived quality [...] the second determinant of overall customer satisfaction is perceived value” (Fornell et al., 1996, p. 96). Value disconfirmation literature also supports the relationship between customers’ perceived value and customer satisfaction (Hellier et al., 2003). Perceived value can be considered pre or post purchase (Eggert and Ulaga, 2002; Patterson and Spreng, 1997) as a customer seeks to acquire additional benefit in comparison to the cost (sacrifice) when purchasing a product or service. If the product is unaffordable and perceived quality is inferior, the customer may not want to buy that product (Dodds et al., 1991) – this is a case of pre-purchase perceived value. On the other hand, customer satisfaction can be considered as a post purchase phenomenon (Eggert and Ulaga, 2002) because the value of a product or service is perceived and evaluated by customers’ experiences with the product or service. Following the above discussion, on balance, we propose:

**H4.** Perceived value will be positively related to customer satisfaction.

It is fair to assert that there is little agreement over the relationship between perceived quality and customer satisfaction. Some service evaluations models (e.g. Bitner, 1990; Bolton and Drew, 1991) specify satisfaction as antecedent to service quality based on the premise that service quality is a general evaluation similar to an attitude, and therefore is superordinate to satisfaction. For example, Bolton and Drew (1991), advocate that customer satisfaction is affected by disconfirmation, expectation and actual performance and customer satisfaction, in turn, becomes an input to customers’ perceptions of service quality. However, other service evaluation models (e.g. Anderson and Fornell, 1994; Anderson et al., 1994; Goltlieb et al., 1994) follow the appraisal-response-coping sequence (Lazarus, 1991) or the cognitive-emotive causal order (Oliver, 1997), which position satisfaction as superordinate to service quality. Fornell et al. (1996) found that overall quality, price and expectations affected customer satisfaction and they claimed that customer satisfaction depended on the anticipated quality of future service as well as the ability of the service to provide for future needs. In an attempt to unify these diverging views, in a comprehensive study, Cronin and Taylor (1992) tested both the hypothesis developed by Parasuraman et al. (1985, 1986) that service quality is an antecedent of customer satisfaction, and Bitner’s (1990) and Bolton and Drew’s (1991) hypothesis that service quality is an outcome of customer satisfaction. They found that service quality leads to satisfaction as proposed by Parasuraman et al. (1985, 1986). This result was also supported by Lee et al. (2000) where they found that customer satisfaction makes a stronger impact on purchase intention than service quality. In the context of business-to-business, Narayandas and Rangan (2004), report that a
decision maker’s favourable evaluations of performance lead the firm to increase its commitment to the supplier, and similar findings have been put forward by Bolton et al. (2008). On balance, we seek to evaluate the view that:

H5. Service quality will be positively related to customer satisfaction

It is conceivable that customer loyalty and customer satisfaction are related at some level. Indeed, research suggests that customer satisfaction is quite important in achieving customer loyalty (Szymanski and Henard, 2001). In an investigation of mortgage credit card companies, (Host and Knie-Andersen (2004), found that customer satisfaction is derived from individual transactions where the employee is the frame of reference. It then follows that customer satisfaction is directly linked to loyalty to an individual service provider, rather than to the firm as a whole. There is support in the literature to support this argument. Fullerton (2003) suggests that there is an emotional attachment which customers can develop towards their service provider. Similarly, McAlexander et al. (2003) in their expounding of the loyalty concept suggest that the way in which loyalty develops is more dynamic and complex than commonly modelled, and may include important personal and social aspects. Similar views have been confirmed more recently by Jayawardhena et al. (2007). Thus, we wish to confirm the view that:

H6. Customer satisfaction will be positively related to loyalty to the employee.

Service encounter quality

Marketing literature offers a number of definitions of service encounters. Early work postulated that service encounters are role performances in which both customers and service providers have roles to enact (Czepiel et al., 1985). Building on this work, Surprenant and Solomon (1987) define the service encounter as a dyadic interaction between the customer and service provider. Shostack’s (1985) on the other hand takes a much broader view, and encompasses elements beyond the interpersonal (i.e. the service provider employee(s) and the service recipient(s)) element of a service encounter, including physical surroundings and self-service technology. For the purposes of this paper, Surprenant and Solomon’s (1987) dyadic conceptualization of service encounters as an inter-personal construct is adopted. Authors who examine service evaluation have commented on service encounter quality, and suggest that service quality represent a customer’s assessment of the overall level of service offered by a firm, and that this assessment is often based on perceptions formulated during service encounters (Farrell et al., 2001). Czepiel (1990) also places the specific short-term service encounter at the heart of customers’ general long-term perceptions of service quality. It therefore can be argued that positive perceptions of service encounter quality may lead to expectations of the overall quality of the service. Since, service quality is considered to be an overall judgment of quality, and the quality of individual service encounters should contribute towards this judgment, a view endorsed by Jayawardhena et al. (2007). Thus, we expect that:

H7. Perceived service encounter quality will be positively related to service quality.

Earlier, we postulated that satisfaction is an outcome of service quality. It has also been argued that the satisfaction process often accompanied by a strong social dimension (Fournier and Mick, 1999). This indicates that quality of the interaction and satisfaction may be related. We noted that service encounter is a dyadic interaction between the customer and service provider, and that customer satisfaction is an attitudinal judgement about a purchase. Given that a service episode consists of an interaction, following the aforementioned definitions of service encounter quality and customer satisfaction adopted in this study, we argue that that:

H8. Perceived service encounter quality will be positively related to customer satisfaction.

We have so far argued that customer loyalty may manifest as both loyalty to the firm and loyalty to the employee. We now turn our attention to the examination of the potential association between these two constructs. Researchers in service industries suggest that a relationship exists between commitment to individual service provider and organisational loyalty. In this context Fullerton (2003) shows that commitment to individual service is an important driver of organisational loyalty. Similarly, Doney and Cannon (1997) show that customer’s attitude towards a service individual has an influence on the customer’s attitude toward the firm. They argue that this is due to the process of affect transfer. Therefore, patronage of the service worker translates to patronage of the service firm. Therefore:

H9. Loyalty to the employee will be positively related to loyalty to the firm.

Methodology

Design, procedure, and sample characteristics

First, we developed a questionnaire containing measures derived from existing measures (see below). This questionnaire was then subjected to critical review by a panel of marketing scholars and industry practitioners. A number of amendments were made, largely to item wording but also to question order and layout. Second, the modified survey instruments were pre-tested among ten respondents. These pre-test respondents were from companies that employ professional cleaning services to clean their premises. After a final critical review, we concluded that there were no substantive concerns and the instrument was deemed suitable for final data collection.

In order to overcome contextual bias (Hartline and Jones, 1996) the study was conducted in a single industry. We collected data from organisations that employ professional cleaning (janitorial services) firms to clean their premises. This service sector was chosen for two reasons. First, this is a service where the service outcome is very much dependant on the individual service employee, their enthusiasm for the tasks in hand and how well they have been trained to carry out the tasks. Second, this service is provided almost on a daily basis and in some instances more than once a day. Questionnaires were mailed out to customers (1,500) and follow-up cards and follow-up letters were subsequently sent to non-respondents after one and two weeks respectively. In order to ensure the results were a true reflection of what occurs within the business-to-business context, anonymity and
confidentiality of respondents and their firm was assured and outlined in a cover letter sent with the questionnaire. A total of 279 questionnaires were returned, indicating a response rate of 18.6 per cent. Following Armstrong and Overton (1977), we conducted a non-response bias analysis, and this exercise did not indicate any non-response bias between early and late respondents.

Measures

To measure service encounter quality we adopted the eight-item measure devised by Jayawardhena et al. (2007). We selected this particular eight item scale, as to the best of authors’ knowledge, no other published scale is designed to evaluate service encounter quality in a business-to-business setting. The measurement of service quality is a widely studied and debated construct (see Cronin and Taylor, 1992, 1994; Parasuraman et al., 1988). However, for the purpose of explaining variance in dependent constructs, the weight of the evidence in the extant literature supports the use of perceptions-based measures of service quality (Cronin and Taylor, 1992; Zeithaml et al., 1996). Therefore, we used a ten-item scale to measure customers’ perceptions of service quality based on the original dimensions proposed by Parasuraman et al. (1985). Similar scales are used by Gotlieb et al. (1994), Hartline and Ferrell (1996), and Voss et al. (1998). To measure customer satisfaction we employed three items from Brady et al. (2005) and Cronin et al. (2000). Items measuring loyalty (e.g. Mowday et al., 1979) were derived from the literature review. Where necessary, minor modifications were made to suit a business-to-business service context (Durvasula et al., 1999). The perceived value construct was devised in light of Zeithaml’s (1988) “get versus give” concept and the “net gain” definition of Grewal et al. (1998). We used three appropriate indicators to measure value, adapted from work by Brady et al. (2005) and Sirohi et al. (1998). A seven-point Likert-type scales were employed. This was due to most scales being directly applied in their pre-existing form (e.g. Parasuraman et al., 1988). See Appendix for questionnaire items.

On collection of data, all scales were subjected to a purification process. This involved assessments of dimensionality, reliability, and validity (Anderson and Gerbing, 1988). To assess reliability and validity of the model a confirmatory factor analysis (CFA) using LISREL8.7 was conducted. We followed the two-step method recommended by Anderson and Gerbing (1988). To assess model fit, a covariance matrix was created (Jöreskog and Sörbom, 2002). There are various ways to test construct validity of a model. Although it is not a necessary requirement to test construct validity with separate tests if using covariance-based structural equation modeling (Gefen et al., 2000), tests of both convergent and discriminant validity have become common among researchers. In covariance-based structural equation modeling, construct validity is usually tested with an investigation of convergent and discriminant validity (Gefen et al., 2000). In general, convergent validity can be assessed via internal consistency by:

- looking at the correlations among items which constitute a scale;
- using scales that have been accepted, used and proven valid in the field by other researchers; and
- looking at the strength and significance of item coefficients.

Following Homburg and Pflesser (2000), we calculated composite reliabilities and average variance extracted for scales composed of more than two items, and coefficient alpha for two-item scales. This resulted in values above the minimum recommended thresholds of 0.7 for composite reliability and coefficient alpha (Nunnally and Bernstein, 1994), and 0.5 for average variance extracted (AVE) (Fornell and Larcker, 1981) for all scales (see Table I).

The fit indices associated with the CFA exceeded acceptable thresholds. A combination of fit indices were used because this achieves a good balance between Type I and Type II error rates when assessing model fit (Hair et al., 2006; Hu and Bentler, 1999). The goodness-of-fit indices indicate that the measurement model provides good fit to the data (NFI=0.989; GFI=0.910; CFI=0.991; RMSEA=0.05). According to Browne and Cudeck(1993), a root mean square error of approximation (RMSEA) less than 0.08 is acceptable. Similarly, according to Hu and Bentler(1999), $\chi^2/df$ should be less than 5, preferably less than 2, and all other indexes should be close to 1 (Taylor and Todd, 1995). In general, we applied the rules of $\chi^2/df$ (531.8/301=1.77), RMSEA < 0.08, and all other indexes close to 1. Overall our model shows good model fit.

Discriminant validity between all constructs was assessed by examining the correlations between all pairs of multi-item scales. The correlations were first set at unity, and then freed.

Table I CFA fit measures

| Service quality (eight items) | Composite reliability | 0.94 |
| Composite reliability | 0.91 |
| Average variance extracted (AVE) | 0.80 |
| Parameter estimates range | 0.70-0.86 |
| Satisfaction (SAT three items) | Composite reliability | 0.83 |
| Composite reliability | 0.79 |
| Average variance extracted (AVE) | 0.64 |
| Parameter estimates range | 0.71-0.84 |
| Loyalty to the firm (three items) | Composite reliability | 0.84 |
| Composite reliability | 0.81 |
| Average variance extracted (AVE) | 0.65 |
| Parameter estimates range | 0.73-0.85 |
| Service encounter quality (six items) | Composite reliability | 0.90 |
| Composite reliability | 0.88 |
| Average variance extracted (AVE) | 0.81 |
| Parameter estimates range | 0.75-0.87 |
| Perceived value (three items) | Composite reliability | 0.85 |
| Composite reliability | 0.82 |
| Average variance extracted (AVE) | 0.66 |
| Parameter estimates range | 0.75-0.87 |
| Loyalty to the employee (three items) | Composite reliability | 0.76 |
| Composite reliability | 0.74 |
| Average variance extracted (AVE) | 0.61 |
| Parameter estimates range | 0.71-0.78 |
In every case, significant decreases in $\chi^2$ were observed on freeing the correlation between the scales, demonstrating evidence for discriminant validity. To further assess the discriminant validity of the model, we tested whether the AVE for each construct is greater than the absolute value of the squared standardized correlation of that construct with any other construct in the analysis (Fornell and Larcker, 1981). The logic here is that a latent construct should explain its item measures better than it explains another construct (Hair et al., 2006). Table II presents the correlations and squares of correlations between constructs examined in the study. As can be seen, the AVE for each construct was greater than the square of its correlation with any other construct. Thus, the measures used for this study were both reliable and valid.

To determine the impact of common method variance, we computed Harmon’s one-factor test as described by Podsakoff and Organ (1986). No single factor accounted for the majority of the covariance, suggesting that common method variance is not solely responsible for our findings.

Results

To examine the main effects in the four stage model, we used structural equation modeling. Table III reveals the modeling results. We find that the goodness-of-fit indices indicate that structural model provides good fit to the data (NNFI = 0.981; GFI = 0.904; CFI = 0.987; RMSEA = 0.05, $\chi^2/df = 2$). The robustness of the structural model is further evidenced by the significant coefficient of determination ($R^2$) values. For instance, service quality is able to explain comfortably more than half the variability of value.

We can observe that that all hypotheses are supported. Our results indicate that there is a positive relationship between service quality and perceived value ($H1$), and this is in keeping with previous findings in a variety of contexts (e.g. Parasuraman and Grewal, 2000). This highlights that service providers must account for the significance of service quality in determining consumers’ perceptions of value. As $s$ hypothesised in ($H2$), we found that service quality is found to be positively related to loyalty to the firm. The link between perceived value and loyalty ($H3$), a link that is well established in the existing literature (e.g. Cronin et al., 2000) and that of value and satisfaction ($H4$), are confirmed in our study results. It appears that, as the quality of the service increases, so do customers’ perceptions of value gained from the service. Specifically, for managers, this highlights the importance of reinforcing quality as a significant factor in the provision of services. Following, Heskett et al. (1994) our study results confirm a positive relationship between service quality and satisfaction ($H5$). The link between customer satisfaction and loyalty to the employee ($H6$) is similarly significant in our study. Thus, the emotive aspect of post-purchase evaluation plays a part in enhancing long-term perceptions of the overall firm as well as the commitment to purchasing regularly to the individual with whom the original interaction occurred. Our research results support the notion that service encounter quality is positively associated with both service quality ($H7$) and customer satisfaction ($H8$), a finding that confirms recent work in this area (Jayawardhena et al., 2007). This confirms the importance of personal customer-employee interactions in developing positive judgments and longer-term perceptions towards the firm. It was found that loyalty to the employee is also positively related to loyalty to the firm ($H9$), thus justifying any strategy aiming to increase loyalty to staff, in a business-to-business context.

Discussion

We live in an increasingly service-oriented global economy (Vargo and Lusch, 2004). In this service-intensive climate it is vital to understand how consumers evaluate services that they purchase. And yet, published academic research tends to concentrate on retail consumers (Westbrook and Peterson, 1998), and relatively little has been done on the business-to-business context (Gounaris, 2005b). Our research objective was to contribute this line of inquiry by examining service evaluation in a business-to-business service context.

We develop a conceptual service evaluation model and empirically test the same. Although our study context was professional cleaning services, we believe that our study plays a part in enhancing long-term perceptions of the overall firm as well as the commitment to purchasing regularly to the individual with whom the original interaction occurred. Our research results support the notion that service encounter quality is positively associated with both service quality ($H7$) and customer satisfaction ($H8$), a finding that confirms recent work in this area (Jayawardhena et al., 2007). This confirms the importance of personal customer-employee interactions in developing positive judgments and longer-term perceptions towards the firm. It was found that loyalty to the employee is also positively related to loyalty to the firm ($H9$), thus justifying any strategy aiming to increase loyalty to staff, in a business-to-business context.

Table II Construct correlations (below diagonal) and squares of correlations (above diagonal)

<table>
<thead>
<tr>
<th>Construct</th>
<th>AVE</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service encounter quality (1)</td>
<td>0.81</td>
<td>0.326</td>
<td>0.384</td>
<td>0.292</td>
<td>0.239</td>
<td></td>
</tr>
<tr>
<td>Service quality (2)</td>
<td>0.80</td>
<td>0.571</td>
<td>0.049</td>
<td>0.245</td>
<td>0.329</td>
<td>0.378</td>
</tr>
<tr>
<td>Customer satisfaction (3)</td>
<td>0.64</td>
<td>0.620</td>
<td>0.495</td>
<td>0.054</td>
<td>0.504</td>
<td>0.256</td>
</tr>
<tr>
<td>Perceived value (4)</td>
<td>0.66</td>
<td>0.540</td>
<td>0.574</td>
<td>0.710</td>
<td>0.553</td>
<td>0.306</td>
</tr>
<tr>
<td>Loyalty to the organisation (5)</td>
<td>0.65</td>
<td>0.489</td>
<td>0.615</td>
<td>0.506</td>
<td>0.533</td>
<td>0.548</td>
</tr>
<tr>
<td>Loyalty to the employee (6)</td>
<td>0.61</td>
<td>0.510</td>
<td>0.583</td>
<td>0.618</td>
<td>0.603</td>
<td>0.548</td>
</tr>
</tbody>
</table>
findings are adaptable and applicable across other business-to-business service contexts. The theoretical framework that we developed adds support to a number of established models. For instance, Jayawardhena et al. (2007) had demonstrated that the impact of service encounter quality on service quality and customer satisfaction has an influence on loyalty to both the organization and loyalty to the employee. Our work strengthens these findings and adds the value dimension to the service evaluation framework.

Our study examines an often overlooked construct: service encounter quality. We demonstrate that service encounter quality is a sound predictor of both service quality and customer satisfaction. We also demonstrate that perceived value is positively related to service quality. Another noteworthy finding is that not only does service quality have a positive influence on loyalty to the firm, it has an indirect influence through perceived value. Furthermore, the measurement of service encounter quality brings about a series of benefits. First, the measurement of service encounter quality on a regular basis can be used to periodically track customer perceptions of service encounter quality of a firm relative to that of its competitors. This may be useful in assessing overall company performance compared with that of the competition. This could be achieved by participating in syndicated surveys, where a number of service providers are evaluated by their customers, and each survey provider is able to find out how they compare in comparison to the competition. Second, as suggested by Jayawardhena et al. (2007), evaluation of service encounter quality enables an organisation to track the level of service provided by individual employees of the service provider firm. It may be argued that this enables the operationalisation and subsequent monitoring of changes in service delivery. The suggestion here is not to discard existing customer survey instruments, but rather to enhance existing survey instruments with service encounter quality measures. This type of insight can be invaluable in monitoring the service performance of individuals and terms for evaluation, recognition, and rewards. Last but not least, the measurement of service encounter quality empowers the management to identify dissatisfied customers, so that service recovery can be attempted.

Another theoretical contribution of this research is that we offer insights into the specifics of business-to-business service dynamics and their influence on loyalty. We evaluated the role of service quality, satisfaction, value on loyalty to both employees of the firm and the firm itself. Consistent with studies in other service contexts, perceived value exhibit a direct association with loyalty to the firm. In keeping with earlier studies in service contexts (e.g. Anderson and Mittal, 2000; Dabholkar et al. 2000; Oliver, 1997) and we observe a quality-satisfaction-loyalty chain in our study. Overall, our results also provide empirical support to a number of existing studies that have emphasised the importance of examining, concurrently, a range of service variables, including; perceived value, satisfaction, and service quality (e.g. Brady et al., 2005). In this regard, our study contributes to a holistic view of service dynamics that incorporates the main service factors into a tested framework of service in a business-to-business setting. In doing so, our study draws on extant studies (for, e.g. Jayawardhena et al. (2007) culminating in the validation of the model in a business-to-business context. The results support and build on existing research into loyalty and further extend the generalizeability of such research into the context of business-to-business services. Thus, the results corroborate existing frameworks of service that typically present some variation of a service quality value/satisfaction-loyalty chain or model (e.g. Cronin et al., 2000; Dabholkar et al., 2000).

Limitations and suggestions for future research

As with any research project, our study could have been improved. It is characterised by limitations that restrict the extent to which the results and implications of the research can be reliably generalized. First, we measure all constructs in our conceptual model with one survey conducted at the same time. While attempts were made to mitigate the common method variance problem through our survey design (we ensured that all constructs were separated and the order of construct measures were mixed) and we found no evidence of it in the analysis and its impact can only be conclusively ruled out only if we were able to collect data through different sources. Second, although we have demonstrated that conceptually the service encounter quality and service quality are distinct constructs, the adopted operationalisation of the service encounter quality show that there are similarities with service quality measures. A solution to this could be to adopt a different scale to measure the service quality construct, for instance original Parasuraman et al. (1988) 22 item scale measure as opposed to the shortened ten item measure that we used for this research study. Third, there might be other variables and moderators that might influence service dynamics and its implications on customer loyalty. This is because, although our framework of service evaluation features a number of constructs, the developed model focuses on the incorporation of constructs that have been theoretically directly associated with, thereby limiting that breadth of their focus.

The implications and limitations of our study however offer a number of potentially interesting future research projects. First, as noted above, although our model does contain a number of constructs, it would be useful to incorporate other factors (such as trust for example) may also exert an influence on loyalty. Future studies could include wider range of constructs thus broadening the scope of the model and assisting in conceptually and empirically distinguishing associations between constructs. Second, further research investigating the nature of service encounter quality and loyalty in business-to-business services marketing is desirable. This is particularly so, since an argument could be made that our research was based within a service context where services are relatively easy to evaluate, and therefore the role of service encounters in evaluation may be less important. In this context we wish to reiterate a call for more research on business-to-business service dynamics (Jayawardhena et al., 2007), particularly in contexts where the service involves more credence quality such as professional services. Third, related to above, in order to better capture the quality of interactions, and their consequences it may be desirable to carry out a study of service encounter quality and its consequences across a range of service contexts simultaneously. For instance such a study could take the procedure adopted by Brady et al. (2005) where they administered the instrument across service sectors in different countries.
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References


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Further reading


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Appendix. Scale items

Perceived service encounter quality

• During your most recent service encounter with a XYZ contact person, you found them to...
• Be coherent in their communication.
• Be courteous in their interaction.
• Show familiarity to you during the service encounter.
• Build a friendly relationship with you.
• Be informative in their interaction.
• Be in possession of the necessary qualifications for conducting the required service.
• Focus on not being pushya.
• Focus on not being condescending in their communicationa.

Service quality

• XYZ employees offer the personal attention I need from them.
• The behaviour of XYZ employees instills confidence in me.
• XYZ employees are courteous.
• I can depend on receiving prompt service from XYZ their employees.
• I feel safe conducting business with XYZ employees.
• XYZ employees are able to answer my questions.

XYZ employees are never too busy to respond to my requests.
• I receive enough individual attention from XYZ employeesa.
• XYZ employees have my best interests at hearta.
• XYZ employees understand my specific needsa.

Customer satisfaction

• I am satisfied with the service I receive from XYZ.
• I am happy with the service I receive from XYZ.
• I am delighted with the service I receive from XYZ.

Perceived value

• XYZ service products are an excellent value.
• With XYZ you get a great deal for your money.
• What we get from XYZ, and its cost, makes it a great value.

Loyalty to the firm

• I am willing to put in extra effort to receive services from XYZ.
• XYZ stimulates me to buy from XYZ repeatedly.
• For me, XYZ is the best possible organization to buy service provision from.
• I am proud to tell others that I purchase service provision from XYZa.

Loyalty to the employee

• My values and the values of my current contact person are very similar.
• I am extremely glad that I chose my current contact person over other.
• I really care about the fate of my current contact person.

All items were measured on seven-point scales anchored by 1=strongly disagree to 7=strongly agree. Items marked with a superscript letter were deleted during the measurement purification process.

About the author

Chanaka Jayawardhena is a Senior Lecturer in Marketing at Loughborough University, UK. He is particularly interested in understanding how organisations use technology (internet for example) in the delivery of services, how consumers evaluate services, and understanding customer relationships with service providers. His work on these topics has been published or is forthcoming in Industrial Marketing Management, European Journal of Marketing, Journal of Marketing Management, Journal of Business & Industrial Marketing, International Journal of Retailing & Distribution Management, Internet Research, Journal of General Management, and European Business Review among others. His research has been recognized with various prizes and awards, “best paper” awards presented by professional associations such as the UK Academy of Marketing.

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