CONTINUING EDUCATION SERVICES –
PERCEIVED SERVICE VALUE AND RELATED CONSTRUCTS

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Abstract:
This article examines the perceived service value and related constructs such as satisfaction and willingness to pay for educational services. Data was collected from 661 students in New Zealand (The University of Auckland and The University of Waikato) and Austria (Uni for Life Graz and University of Teacher Education Styria). Based on former and present research results, a conceptual framework for the measurement of perceived service value was developed for the special situation of further educational services provided by universities. Results are interpreted by means of the multidimensional construct of perceived service value in four value dimensions. Significant differences across nations are highlighted and the implications for service providers are explored. The examination of related constructs of perceived service value led to interesting results that counter the common assumption that satisfaction influences willingness to pay for education. The present model is theoretically grounded, modified and revised and aims to help educational service providers to better analyse consumer perceived value in their fields of activities.

Keywords: continuing education, perceived service value, community education, willingness to pay.
1. INTRODUCTION

Most universities run continuing education services but these provisions are facing decreasing financial support from government and university budgets (Geertshuis, 2011). Providers may, therefore, have to increase course fees in an effort to cover costs (Geertshuis, 2009) and, if customers are expected to pay more, it has been suggested that course programs must be more closely geared to their needs. Therefore it is necessary to consider why students enrol and to determine their motives and triggers in their decision-making. In the past decade the concept of perceived service value emerged and was evaluated in several studies. However, there has been limited work within the continuing education context. Understanding the perceived service value of educational services from the customers view is useful information for designing programs and pricing decisions.

The objective of the present study is to identify the dimensions used by the customer to define their perceived service value. Connections between perceived service value and willingness to pay as well as the impact of subjective satisfaction and demographic variables will be reviewed. A comparison based on data from two different countries enables us to identify differences in customer service perceptions which might be explained by national characteristics, too.

2. REVIEW OF THE LITERATURE

In the last three decades customer perceived value research has been shaped and influenced by research in areas of consumer value, augmented product concept, customer satisfaction and behaviour as well as service quality (Payne & Holt, 2001). A widely quoted definition was provided by Zeithaml (1988, p.14): “Perceived value is the consumer’s overall assessment of the utility of a product/service based on perceptions of what is received and what is given.” However according to Smith and Colgate (2007) efforts to develop clear frameworks and typologies to help institutions to better understand the concept of perceived customer value, its creation and delivery have not been wholly successful.

The complexity of the concept of perceived value is also shown by the number of theories and models. Early attempts that addressed today’s concept of perceived value include Exchange Theory (Kotler 1972; Huppertz, Arenson & Evans, 1978) and the Expectancy Disconfirmation Model (Cardozo, 1965; Olson & Dover, 1979). More recent approaches and research was carried out by Sheth, Newman & Gross (1991); Woodruff (1997); Holbrook (1999); LeBlanc & Nguyen (1999); Galarazza & Saura (2006); Smith & Colgate (2007).

Kotler’s (1972) approach in his pioneering work on exchange theory provided a way of conceptualising purchasing decisions based on the notion that purchasing judgements are made on the basis of value exchange (Huppertz, Arenson & Evans, 1978). Buyers are assumed to compare the utility of the commodity acquired with the outlay they make in order to acquire the commodity. If a transaction is viewed as being inequitable so that the outlay or loss exceeds the benefits or gain, then purchase is unlikely. Nevertheless it does not explain why and how value is created (Sheth, Gardner & Garrett, 1988). Likewise the Expectancy Disconfirmation model that compares customer satisfaction with perceived performance with expected standards does not define precise dimensions of the construct. The common ground of all these approaches is the idea of a trade-off between perceived benefits and costs, arising from both quality and price.
Based on this fundamental concept, Rust and Oliver (1994) indicated in their work on service value that perceived value should increase as prices decrease and quality increases. Still there is a lack of understanding of how price and quality interact to form value in detail (Holbrook, 1994). Many authors classify these trade-off models as too simplistic for consumption and service experiences, because they ignore the assumed multidimensionality of the construct of perceived value (Holbrook, 1994; Sweeney & Soutar, 2001). Recent findings define customer value as a multidimensional construct that consists of several dimensions and interrelated attributes (Babin, Darden & Griffin, 1994; Holbrook, 1994, 1999; Sheth et al., 1991). Various attempts were made to design multidimensional conceptual frameworks to examine perceived value in several areas of interest (Typology of consumer value by Holbrook, 1994, 1999; Four factor construction of value by Spiteri & Dion 2004; Categorisation of values by Smith & Colgate, 2007). Of particular relevance for this paper has been LeBlanc and Nguyen (1999) as well as Ledden and Kalafatis (2010), who took Sheth et al.’s (1991) model and adapted it for a study into the values placed on, and derived from university business school education.

Sheth et al. (1991) defined five types of consumption values, namely functional value, social value, emotional value, epistemic value and conditional value. Functional value represents the economic utility of a product or service. Social value concerns the utility derived from association with certain groups that are deemed to play a decisive role in the evaluation of products and services (Park & Lessig, 1977). Emotional value captures the value placed on the services’ ability to arouse affective states, such as excitement, security, fear and happiness. Epistemic value is the interest, curiosity or learning stimulated by the product or service. Finally, conditional value is derived from the specifics of the purchasing situation which may influence perceived value.

LeBlanc and Nguyen (1999) applied this concept to their study of perceived service value of business degrees among college students and identified 33 items that were related to value dimensions. After evaluation and implementation of a principal factor analysis, they proposed a six-factor value structure for the construct of perceived service value. It consists of ‘functional value’ relating to degree utility with regard to gain future employment, ‘epistemic value’ relating to the institution’s capacity to offer educational services through the guidance and knowledge provided by the faculty and ‘image’ relating to the reputation of the business school that is linked to the value of the students diploma. Furthermore it captured ‘emotional value’, defined as positive feelings students have towards their field of study, ‘value relating to fair pricing’ and ‘social value’ that derives from group and social activities that add value to the learning experience. This model was adopted and adapted in this study.

**3. DEVELOPMENT OF HYPOTHESES**

The following development of hypotheses addresses the shortcomings outlines above by identifying essential starting points and important connections with various constructs related to perceived service value such as customer satisfaction and willingness to pay. This represents a unique approach that may contribute to a better understanding of the complexity of perceived service value.

**3.1. Multidimensionality of the construct of perceived service value**

As presented in the review of the literature, recent approaches in perceived value research tend to favour multidimensional approaches of value determination. Based on gained knowledge on the assumed multi-attribute character of perceived service value (Sheth et al.,
1991; Holbrook, 1999; LeBlanc & Nguyen, 1999), there seems to be evidence, that clear categories of values can be identified. Hence this work hypothesizes:

H1: Meaningful categories of values will be identifiable

To find out whether or not LeBlanc’s and Nguyen’s model of a six-factor solution, as the only comparable research, can be adopted on the study’s data, we seek to establish that:

H2: In replication of LeBlanc and Nguyen (19991), categories corresponding to the value dimensions of function, epistemology, image, emotion, price and social will be obtained.

3.2. Influence of demographics on categories of values

Several relationships have been established between values and demographic variables (Dittmar, Beattie & Friese, 1995; Henry 2002; Williams 2002; Creusen 2010). Nevertheless effects seem to differ between products and services (Anderson, Sullivan & Rust, 1997). This inconsistency means it will remain unclear how demographics affect values.

Furthermore, to the knowledge of the authors there are no results available yet, that examine differences in the perception of the construct of perceived service value not only in the same category and business, but in exactly the same research approach regarding to institutions and nations. Therefore we postulate the following hypotheses:

H3A: The perceived service value dimensions are shared by customers in New Zealand and Austria.
H3B: The item structure underlying the value dimensions is shared by customers in New Zealand and Austria.

Given the literature described above it is likely that a significant relationship between values and demographic aspects will be observed. Therefore we assume in addition:

H4: The relevance of individual value dimensions varies across nations.

3.3. Customer Satisfaction

It seems to be crucial to closely examine the construct and the number of assumed relations between customer satisfaction and customer behaviour. To most authors that have investigated this relationship between customer value and satisfaction, customer value is seen as an antecedent of customer satisfaction. Numerous studies support this assumption for different areas of interest (Cronin, Brady & Hult, 2000; Eggert & Ulaga, 2002; Liu, Leach & Bernhardt, 2005). Furthermore authors such as Wang, Lo, Chi and Yang, (2004) and Spiteri and Dion (2004) in their work assume a direct relationship between individual value dimensions and satisfaction. To examine the impact of value dimensions on satisfaction, and verify this assumption for the present study on perceived service value, we suggest that:

H5: Values will positively predict satisfaction levels.

Furthermore an influence of demographics on customer satisfaction has been demonstrated in several studies. Seiders, Voss, Grewal and Godfrey (2005) found that the level of involvement and age are moderators, with older and more involved purchasers being more satisfied (Mittal
& Kamakura, 2001). Convenience, competitive intensity, and household income also moderate the relationship between the constructs (Seiders et al., 2005; Cooil et al., 2007). So in line with those findings, for the present study we postulate:

H6: Demographic variables will determine satisfaction with age being positively associated with satisfaction.

3.4. Influence of professional benefits on willingness to pay

A study by Frank and Takao (2009) analysed economic influences on perceived value and willingness to pay (WTP) and found, that customer satisfaction as well as perceived value of services were positively related to an increase in income. This was traced back to the fact that customers with higher income adapt their range of products/services. They experience an increase in perceived quality. These findings indicate that a higher current income leads to an increase in WTP.

H7: Demographic characteristics will influence WTP with income being positively associated with WTP.

To examine and understand the impact of customer satisfaction on willingness to pay it is necessary to draw upon equity theory which focuses on fairness in social exchange (Adams 1965). Equity theory claims that parties to an exchange base their judgement of fair treatment on a comparison of outcomes and inputs (Bolton & Lemon, 1999). Homburg, Koschate and Hoyer (2005) found some evidence to suggest that customers are thought to be willing to pay more if they are satisfied with quality. Furthermore it is believed that satisfied customers become repeat customers and purchase more (Cooil, Keiningham, Aksoy, & Hsu, 2007). Despite the general belief that satisfied customers are willing to pay more, supporting evidence is only anecdotal (Homburg et al., 2005). Also, satisfaction has been reported to be a weak predictor of consumer behaviour in other studies (Mittal & Kamakura, 2001). To examine the influence and explore this controversial topic for the service sector, the authors predict that:

H8: Satisfied customers will be willing to pay more.

Finally, when investigating perceived service value as an antecedent of willingness to pay, a person’s priorities for considering a provider’s offer has to be considered. This will include funding of the training, motives as target-oriented, emotional and cognitive drivers of consumer behaviour (Trommsdorf, 2004). On the one hand, a student’s financial backer and their perception of service value may play a role. They may offer support relating to more immediate job requirements or for more general personal development. Financial constraints or failure to see the need for education will also affect the decision. This will be tested by presenting informants with We assume:

H9: The higher the perceived value of the course for professional activity, the higher the willingness to pay.
H10: The higher the perceived value of the course for personal development, the higher the willingness to pay.
4. CONCEPTUAL FRAMEWORK

Whilst considerations of which dimensions account for perceived service value and their measurability seem to be topic of an ongoing critical debate, the conceptual framework of the present paper is based on findings of LeBlanc and Nguyen’s (1999) adaptation of the Sheth et al.’s Model of Consumption Values (Sheth et al., 1991). This approach ensures traceability and meets requirements of a clear value definition.

The importance of LeBlanc’s and Nguyen’s findings results from the uniqueness of the study, which identified six factors that have an impact on students’ evaluation of value during their educational experience. To the knowledge of the authors it represents the first examination in this vein and therefore builds an appropriate basis for further research.

As the brief discussion of LeBlanc and Nguyen’s findings in the literature review showed, the main dimensions identified by the authors are functional value relating to degree utility, epistemic value relating to learning, image representing the reputation of the institution, emotional value, price/quality ratio and social value. Nevertheless, the study focused mainly on identifying dimensions of value in educational services and did not reveal any correlations.

The present paper therefore extends their work by viewing perceived service value in the context of influential variables such as the initial funding, demographics and satisfaction and finally aims to infer that a change of perception of perceived service value leads to an alteration in willingness to pay (see pic.1).

Figure 1: Conceptual model to be tested

5. METHODOLOGY

The present study was conducted at four institutions: two in New Zealand (The University of Auckland and The University of Waikato) and two in Austria (Uni for Life Graz and University of Teacher Education Styria). Participating students include university staff and externally recruited students in employment, with a high proportion of graduates, more females than males. Courses range from short one-off workshops or seminars to diploma or
certificate courses lasting over a year. For practical reasons, an online questionnaire was
selected for data gathering. It consisted of items relating to customer perceived service value
as well as items relating to a number of additional variables as described below, including
demographic information, course details, customer satisfaction.

To collect data to examine the willingness to pay, a modified van Westendorp pricing method
(Westendorp 1976) was used that asked participants to estimate the price at which the course
would be a bargain, be perceived as expensive, or exactly meet their expectations. To clarify
the intentions of people participating in a course, the benefits for professional and personal
use were examined for the four scenarios. All analyses were carried out using the Statistical
Package for Social Sciences (SPSS) version 18.0.

6. SAMPLE

661 students responded the questionnaire which represented a response rate from between 5
and 10 percent at each study location. Of the sample, 77 % were female and 23 % male
students, 378 (57 %) studied in New Zealand and completed the survey in English. 283 (43
%) attended classes at one of two locations in Austria and completed the survey in German.
The sample was highly educated with almost 70 % having a University degree, and a range of
age and income groups were represented.

7. RESULTS

7.1. Value dimensions

In order to determine the factor structure of perceived service value, an exploratory factor
analysis using principal component analysis as the method of extraction was conducted. A
four factor solution with varimax rotation provided a satisfactory solution with clear
interpretation. A final check on this factor solution showed, that the four factors altogether
explained 56.27 % of the variance, that there were no items with communalities less than .2
and all factor loading were greater than .3. Any item loading on more than one factor was
assigned to the factor on which it loaded most highly. Cronbach’s alpha has been measured
for the identified dimensions.

The factors identified can be described as follows: career value (representing the utility of
educational services to ensure and improve job performance, promotion prospects and
payment), social value (concerning the social side of attending courses and interpersonal
exchange in learning environments), personal learning value (capturing the subjective
evaluation of an educational service offer to enable personal development as well as the
ability to provide novelty) and image value (covering variables that represent the students’
inference from the institution’s reputation to the value of the service). This clear identification
of value dimensions for the combined as well as the nationally split samples leads to a
confirmation of H1 and H3A. Nevertheless the proposed value dimensions of LeBlanc and
Nguyen cannot be verified for the present research. Hence H2 needs to be rejected.

While the identified item structure that underlies the dimensions for the combined and New
Zealand sample is reassuringly similar, the Austrian sample divergences slightly. Social value
and personal learning value are stable, but the factors identified as reflecting career and image
showed some divergences in the structure of related items. It may be that in Austria the image
and reputation of an institution and the degree to which its courses contribute to career value
are interrelated. H3A assuming identical item structure needs to be rejected. Furthermore, analysis revealed significant differences between the New Zealand and Austrian samples in the benefit they placed on career value \((t=-2.31, p<.05)\), social value \((t=-5.7, p<.01)\) and image value \((t=8.2, p<.001)\), with the Austrian sample evaluating career and social value and the New Zealand sample judging image value more highly. H4 which proposed different relevance of individual value dimensions across nations is supported.

7.2. Demographic influences

After performing T-Tests for a comparison of means to identify demographic differences according to nations, a regression was conducted to establish the extent to which apparent group differences in value perception could be attributed to demographic variables or national differences. The samples were significantly different on the frequency with which they attended courses either at the current \((t=-2.93, p<.001)\) or other institutions \((t=-3.98, p<.001)\), their age \((t=12.78, p<.001)\) and how many hours a week they worked \((-10.23, p<.001)\), with the New Zealand sample attending few courses, being rather older and more likely to pay for themselves and on average working fewer hours. One third of the New Zealand sample were over the age of 60 while less than 1% of the Austrian sample fell into this age group. Nearly 25% of the New Zealand sample were not employed and a further 12% worked but for less than 15 hours a week (Austria only 4%). The most meaningful difference \((t=-11.03, p<.001)\) appeared to be the responsibility for paying for courses which lay largely with the individual in New Zealand but mainly with the employer or the university in Austria (Chi sq = 189, \(p<.001\)).

The results of the regression indicated that identified differences in the perception of social value and image value between the two nations cannot be readily attributed to demographic differences in the samples. Austrian learners seem to value the social side of learning more whereas the New Zealand sample values the image more highly. Since special care was taken when back translating the instrument to ensure equivalence and avoid discrepancies across nations, this difference could reflect real differences in the nature of learners and their expectations as evaluated and confirmed under H4.

7.3. Satisfaction as dependent variable of demographics and values

To test, whether demographic aspects and categories of values determine satisfaction levels, a hierarchical regression with overall satisfaction as the dependent variable was performed. Whereas demographic attributes did not allow any interpretation, the addition of value dimensions led to a better explanatory power of the model, with career value, personal learning value and image value showing significant results. Again it became obvious that national differences in the perception of values exist which influence overall satisfaction, with the Austrian sample having its emphasis on career value and the New Zealand sample identifying image as more influential. According to these results, H5, describing the influence of values on satisfaction, can be supported. An impact of demographic variables as predictors of overall satisfaction could not be verified. Therefore H6 needs to be rejected.

7.4. Overall value for money as dependent variable of demographics and values

The consideration of items originally related to price/quality ratio in LeBlanc and Nguyen’s model did not lead to meaningful results in the factor analysis. To find a way that allows clear interpretation, overall value for money was calculated as the average score assigned to the
three items relating to fair price, quality and value for money (cronbach’s alpha > .7). A hierarchical regression considering demographics and value dimensions as independent variables supported the so far gathered insights. While the examination of demographic aspects as expected did not lead to any significant results in step one, the model expansion with value dimensions led to a better pattern quality. In the New Zealand sample image appears to be the forceful driver for overall value for money (.30), whereas in Austria career value has the strongest (.36) explanatory power. The authors therefore recommend to consider overall value for money related to fair price, quality and value for money as a separate construct when examining perceived service value.

7.5. Willingness to pay

To clarify the intensions of people participating in a course, the benefit for professional and personal use were examined four scenarios additionally, to allow interpretations concerning the customer’s WTP.

It became obvious that the New Zealand sample although judging personal and professional benefit lower than the Austrian sample, was willing to pay significantly more for the service. This turns up to be interesting especially because of the high amount of people paying for their own courses in New Zealand. A hierarchical regression testing the explanatory power of demographics and the financial backer in the first step, overall satisfaction and value for money in the second, and personal and professional benefit in the third place did not lead to any conclusive results. While the standardized regressions coefficients of income and personal as well as professional benefit showed up to be medium range in the majority of cases, none of the models led to a considerable change in R square. H7 stating demographics influence WTP has to be rejected. The often asserted explanatory power of satisfaction on WTP could not be verified for the present study. H8 therefore cannot be accepted. It became obvious that a better judgement of the professional benefit of a course led to a higher amount in WTP in 2 cases, an influence of the judgement of personal benefit could not be verified. The authors assume therefore H9 could be verified and H10 needs to be rejected, nevertheless because of the small number of scenarios and the high risk of misinterpretation it needs further research to allow a clear statement.

8. DISCUSSION

The research presented set out to investigate issues related to the nature of consumer perceived service value, specifically to identify the underlying multidimensional structure and to examine related constructs such as demographic influences, satisfaction and willingness to pay. The work highlights the role of consumer perceived service value in the sector of continuing education. Given the considerable explanatory power the four identified value dimensions - career value, social value, personal learning value and image value - offer a theoretically grounded basis for institutions on which to analyse consumer perceived value in their field of activity. To assist, the now modified and revised model (see Fig. 2) captures not only the essential value dimensions but also accounts for relevant related constructs.
The gained knowledge about national differences in the perception and judgement of values, with Austrian learners judging career value and the social aspects of learning and the New Zealand sample valuing the image and reputation of an institution more highly, may suggest changes to marketing approaches and value communication. The impact of those values on overall value for money judgements implies that communications should address different key aspects of activities in line with the specific needs of customers. Reasons for the diversity in the perceptions of values may be due to cultural differences as well as diverse requirements of the labour markets. Uncontrolled however are differences between the courses delivered. The Austrian sample were studying work related topics and attending professional development workshops. The New Zealand Universities sample are predominantly older adults learning in their leisure and for pleasure (Geertshuis, 2007, 2009). Thus in our research the nature of learning and national identity were confounded.

Although several location-specific differences could be identified, a direct influence of demographic variables on value dimensions could not be confirmed. Perhaps most trans national differences can be attributed to expectations, New Zealand has a long history of user pays whereas Austria does not. Nevertheless, identified factors seem appropriate to objectively capture consumer’s perceptions no matter what gender, age, or income group consumers belong to and results as well as approaches therefore can be better generalised.

Relating to the assumed impact of satisfaction on customer behaviour, analyses of the results offer some food for thought. For example, illustrated satisfaction levels are influenced but not extensively determined by the identified values. The consideration of demographic influences on satisfaction did not provide meaningful results. To better capture the widespread nature of customer satisfaction in the educational sector, further research will be necessary.

Although the explanatory power of demographics, satisfaction, overall value for money and professional / personal benefit as predictors for willingness to pay for course scenarios appeared to be weak, it was found that New Zealand customers were generally willing to pay more than Austrian customers did. This is surprising, especially because of the almost three times higher number of people that pay for their own courses in New Zealand. Accordingly national differences in WTP based on economic or cultural differences need to be taken into
account, when creating prices in the context of global strategic alignment of educational service providers.

Collectively the results provide the first documented insights into the construct of perceived service value in the sector for continuing educational services.

9. CONCLUSIONS

The results extend theory on customer perceived value as multidimensional construct, and give the first insights into interactions with related constructs such as satisfaction, demographics and WTP in the sector for continuing education.

In terms of practice, the results support the importance of strategic management of service providers based on the idea of perceived service value. A customer orientated design of programs and pricing decisions as well as an appropriate marketing approach therefore can better ensure the institutions economic survival in times of economic cutbacks and reduced funding. Nevertheless it needs further research to provide reliable, recommendations that can be generalized for an institutions management. Besides that, individual needs, general conditions and the environment of a service provider’s field of action need to be taken into account to allow successful strategic decisions.

REFERENCE LIST