

# The Effect of Perceived Value on Customer Engagement Value in Relationship-Oriented and Non-Relationship-Oriented Customers in the Banking Industry

Seyed Mohammad Kamel Hosseini<sup>1</sup>, Samad Aali<sup>2</sup>

1. Ph.D. Student, Department of Management, Tabriz Branch, Islamic Azad University, Tabriz, Iran

2. Assistant Prof., Department of Management, Tabriz Branch, Islamic Azad University, Tabriz, Iran (Corresponding Author)

Corresponding author Email: [Samad.aali@iaut.ac.ir](mailto:Samad.aali@iaut.ac.ir)

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**Abstract: Purpose** The present study seeks to determine the effect of perceived value on customer engagement in value creation in relationship-oriented and non-relationship-oriented customers in the banking industry

**Design/methodology/approach:** Customers of Kowsar Financial and Credit Institute in Tehran province were selected as the statistical population, out of whom 976 completed a questionnaire. Convenience sampling method was used for selecting the participants. This study was applied in terms of purpose and causal or explanatory in terms of method. Data were analyzed by conducting Structural Equation Modeling using the Amos software

## **Findings**

The results indicated that functional value and social value have a positive impact on customer engagement in creating value and perceived emotional value does not affect customer engagement in creating value. The results further showed that in relationship-oriented customers, the effect of perceived functional value and social value on customer engagement in creating value is greater than that of non-relationship-oriented customers.

**Implications:** Paying attention to customer engagement and value creation will lead Kowsar Financial and Credit Institute to use a rich source of ideas called customer in line with improving its business activities and the quality of service and innovation. This activity and engagement can increase customer loyalty and word-of-mouth propaganda and enhance a desirable imaging in the market. This desirable imaging can undoubtedly have a significant role in promoting the position and share of the market and the beneficiaries of the Kowsar Institute can benefit from its brand.

## **Originality/value**

One of the main consequences of CPV is CE in value creation, which can be examined in the framework of the four types of values proposed by Kumar et al. (2010). Second, relationship-oriented customers are more active in creating value for a company than non-relationship-oriented customers.

**Keywords:** Banking Industry, Customer Engagement Value, Perceived Value, Relationship Orientation

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## **1. Introduction**

Currently, there is a clear competitive environment in the field of banking. Therefore, attention to the factors believed to get an advantage for financial institutions is definitely leverage for extending their life cycle in this competitive market. Customers are also considered as a capital for an organization in this

complicated environment. Considering the changes in the technical fields particularly information technology, the relationship between customer and companies has been transformed changing a customer's role from a mere consumer to producer-consumer (Ebrahimi et al., 2014). According to Kumar et al. (2010), customers can participate in creating value for companies in different ways. They argued that if companies do not take into account customer engagement (CE) in evaluations, customers will over evaluate or under evaluate themselves. The engaged customers affect companies' performance either directly via their current and future purchases (Pansari and Kumar, 2016) or indirectly by introducing new customers, their social influence, and with the knowledge and feedback they provide to companies (Pansari and Kumar, 2017).

Therefore, based on the Service-dominant logic (Gronroos, 2006; Heinonen et al., 2010), the change of attitude of companies toward customers and emphasis on the active role of customers in creating value can pave the way for customer engagement in value creation. However, although customers are ready to participate and technology has prepared the ground for CE, customers do not engage in value creation for all companies. Besides, not all customers are willing to establish relationships and participate in the value creation process. Accordingly, building a relationship with low relationship-oriented customers imposes costs beyond companies' expectation (Palmatier, 2008). Accordingly, the present study is going to address how customers can be engaged in the value creation for companies and to what kind of customers the marketing resources can be allocated.

Kumar and Reinartz (2016) believe that value is a dual concept and customers can be expected to create value only after value has been created for them. In fact, the issue of value presented to customers originates from comparing the gap between customer expectations before receiving the services and the received services. If this comparison is evaluated as desirable, the customer feels that s/he has received value from the company (Wiedman et al., 2012). According to experts, service companies can create three types of values for a customer: functional value, social value and emotional value (Han et al., 2010; Yoo and Park, 2016). Functional value is defined as perceived benefit from the features of products and services (Sweeney and Soutar, 2001). Social value, on the other hand, refers to individuals' belief about the social acceptability of their purchase based on what is perceived by their surrounding environment (Sheth et al., 1991). Finally, emotional value includes feelings or emotional state created by the experience of consuming (Sheth et al., 1991).

In the previous studies, however, the role of perceived value as a predictive variable for CE has been ignored and most of the consequences of customers' perceived value have been examined in the framework of customer loyalty and word-of-mouth propaganda (e.g., Babin and Babin, 2001; Arnold and Reynolds, 2003; Jones et al., 2006; Babin et al., 2005; Viera et al., 2018). The authors of the present article believe, based on the study by Kumar and Rinartz (2016), that, first of all, customer perceived value (CPV) has a key role in attracting CE in creating value for a company. In other words, one of the main consequences of CPV is CE in value creation, which can be examined in the framework of the four types of values proposed by Kumar et al. (2010). Second, relationship-oriented customers are more active in creating value for a company than non-relationship-oriented customers.

Therefore, the present study seeks to answer the question of whether, in the banking industry, CPV has an effect on CE in value creation and what type of customers have a higher level of engagement in creating value for a bank.

## **2. Theoretical background**

### **2.1. Customer engagement**

In the field of marketing, customer engagement has turned into a well-known concept and has been increasingly focused on in the academic textbooks (Patterson et al., 2006; Mollen and Wilson, 2010;

Brodie et al., 2011; Hollebeek, 2011a; Chathoth et al., 2016). However, many paradoxical concepts have been proposed for CE and researchers have proposed no definition consistent with all fields (Brodie et al., 2011; So et al., 2014b; So et al., 2014a).

Some researchers consider CE as a psychological process. For example, Bowden (2009) described CE as a psychological process involving certain mechanisms through which a new customer becomes loyal and purchase is repeated. Brodie et al. (2011) also regard CE as a mental state that occurs as the result of interactional and co-creational experiences of a customer with a particular object or issue (such as a brand or a company). Others believe CE to be a behavior. For example, Van Doorn et al. (2010) mentioned that CE is beyond the interaction with customers and has been particularly defined as how a customer behaves toward a trademark or company, which is beyond the purchase s/he has made and the motivational stimuli for doing the purchase.

In addition, in the theoretical texts related to marketing, different dimensions have been proposed for CE. Some have considered its definitions as mono-dimensional (Sprott et al., 2009; Van Doorn et al., 2010; Jaakkola and Alexander, 2014). Nevertheless, in most of the definitions, CE has been shown as a multidimensional concept that includes behavioral, cognitive and emotional dimensions (Bowden, 2009; Hollebeek, 2011b; Brodie et al., 2013; Dwivedi, 2015). In some studies, a social dimension has been also added (Baldus et al., 2015). In the services sector, where value is jointly created by the company and customer, CE is a dynamic and cyclic process. Accordingly, it is considered as a multidimensional structure that describes the mental state of a customer. Mental state of a customer stems from experiencing a particular relationship with a service provider (Brodie et al., 2011; So et al., 2014a; So et al., 2014b).

In a comprehensive definition, Pansari and Kumar (2018) defined CE as a mechanism through which a customer cooperates directly or indirectly in value creation for a company. Direct cooperation involves the customer's purchase and indirect cooperation involves referring other customers to the company based on the incentives presented by the company, the discussions the customer makes about the trademark on the social media and also the feedback and comments presented by the customer to the company (Aali et al., 2019).

## 2.2. CEV

Today, emphasizing the fact that customer value is a dual concept, a review of the literature on marketing shows that the purpose of businesses is primarily to create value for customers and, secondarily, to receive value from customers in the framework of profit and, consequently, to create value for the company (Kumar and Rinartz, 2016). Pansari and Kumar consider CE as the output from marketing activities believing that a customer can create value for a company directly (by purchasing from the company) and indirectly (via referring potential customers, affecting the current and potential customers on the social media, and providing feedback for improvement). In the same line, by presenting a framework for customer engagement value (CEV), Kumar et al. (2010) pointed out that customers create four types of values for a company including Customer Lifetime Value (CLV), Customer Referral Value (CRV), Customer Influence Value (CIV), and Customer Knowledge Value (CKV), which jointly form Customer Engagement Value (CEV).

1. Customer Lifetime Value is defined as the current value of future benefits created by a customer for a company in his/her lifetime (Kumar et al., 2010). It is also referred to as direct engagement and emphasizes the trading aspect of engagement and includes behaviors related to customer's purchase including repeating the purchase and making a further purchase each time (Aali et al., 2019; Venkatesan, 2018).

2. Customer Influence Value refers to the influence of a customer on other customers and the prospective customers by encouraging and making them a customer, encouraging other customers to

increase their share of wallet in the transaction with a company, creating shared services experience, and helping others to use the services provided by the company, which is normally driven by internal motivation (Kaltcheva et al., 2014). The social influence exerted by CE with a company on the behaviors and attitude of the current and potential customers leads to increased sales and customer purchase share (Kumar et al., 2010).

3. Customer referral value is defined as introduction of new customers to a company by the current customers using the company's incentive programs (Kumar et al., 2010). In other words, customer's referral behavior is a form of word-of-mouth propaganda in which the current customers are motivated enough to introduce new customers (Aali et al., 2019). Customer referral has an important role in increasing a firm's value and helps to gain more income from new customers. Besides, it reduces the costs associated with attracting customers and increases future income.

4. Customer knowledge value refers to the customers' way of transferring their knowledge to a company by providing feedback to the company about innovative ideas for improving the company's performance (Kumar et al., 2010). This feedback not only identifies the areas in need of improvement but helps to present suggestions and solutions for improving and promoting the suggested products in the future. Besides improving process efficiency, it has the potential to create more qualified products for the existing and future customers (Kumar, 2018). The feedback provided by customers is a valuable intangible resource or property and companies can gain competitive advantage by turning this feedback into knowledge and information (Vargo and Lusch, 2008). The more knowledge the customers share with the company, the higher their engagement will be.

### 2. 3. CPV

Porter was the first to show by presenting a model called "Value Chain" that creating value for customers is one of the ways of gaining competitive advantage. This value chain divides the measures taken by the company into "main" and support activities and subdivides each into different phases. He proposed two methods of achieving added value performance: doing more efficient activities, which reduces customer cost, and doing activities in a unique way in the market, which leads to increased benefits for customers.

According to Woodruff (1997), customer value is the value perceived attributed to the features of a product by the customer, the obtained results and the consequences of using the product. Second, it is perceived by the customers and cannot be objectively determined by the seller. Other researchers consensually define perceived value as customer's judgment or evaluation in comparing the benefits obtained from a product, service or relationship with its perceived costs (Zeithaml, 1988; Monroe, 1990; Lovelock, 1991; Teas and Agarwal, 2000; Ulaga and Eggert, 2005). Pinet al. (as cited in Yeh, 2016) showed that CPV is an inherent feature of a product created by companies and marketers. It is obtained by purchasing, using and experiencing a product by the customers and increases via interactions and dialogue between producers and customers (Yeh, 2016).

Generally, with a specialized look into the concept of perceived value in the services section, two approaches can be identified in this field. In the first approach, perceived value is defined as a construct consisting of two components including perceived desirability (economic, social and relational) and costs/losses incurred upon the customer (price, time, attempt, risk, and comfort) (Rapp and Collins, 1991; 1996; Croninet al., 1997; Bigneet al., 2000). In the second approach, perceived value is believed to be a multi-dimensional construct (Woodruff, 1997; De Ruyter et al., 1997; Sa´nchez et al., 2006) and has an emotional dimension as well, besides its functional dimension, . Functional benefits are mainly concerned with economic aspects such as services performance and quality, saving time and money, making better purchase decisions, comfort, simplicity, etc. The emotional dimension has been less widely recognized but shows the emotions and internal feelings created by the product or service. This

feeling dimension is subdivided into an emotional (associated with internal feelings and emotions) and a social (associated with social confirmation) dimension (Sweeney and Soutar, 2001; Sa´nchez et al., 2006; Moliner et al., 2007). Overall, researchers who consider the concept of value as a multi-dimensional construct determine three dimensions including functional, emotional, and social. Perceived functional value is defined as perceived beneficiality of the features of products and services including functional value of the establishment (installations), employees (professionalism), the services (quality) and price (Sweeney and Soutar, 2001; Sa´nchez et al., 2006; Moliner et al., 2007). Perceived emotional value (PEV) refers to the feelings or emotional state caused by experiencing consumption (Sheth et al., 1991), which might be positive and value may be added to him/her and s/he may get a feeling of satisfaction (Sweeney and Soutar, 2001; S´anchez et al., 2006; Moliner et al., 2007). In the case of perceived social value (PSV), the social dimension of value is rather complicated and refers to the individuals' belief about the level of social acceptance of their purchase based on what is perceived by their surrounding environment (Sheth et al., 1991). If an individual is convinced that his/her purchase has received social acceptance, s/he will get a positive value (Sweeney and Soutar, 2001; S´anchez et al., 2006; Moliner et al., 2007). Similarly, it is believed that measures that are socially rejected are an obstacle to purchase (Li et al., 2009). Therefore, examining social value is mainly concerned with the social aspect, which preserves the supplier due to such issues as social practices used by the company (Garcı ´a de los Salmones et al., 2009; Ferguson et al., 2010). With regard to banking, social practices have become widespread and, therefore, this dimension of banking can be more carefully examined (McDonald and Rundle-Thiele, 2008). Thus, this multidimensional approach helps to overcome some of the problems associated with perceived value in the traditional approach particularly too much concern with economic desirability (S´anchez et al., 2007).

#### **2.4. Customer relationship orientation**

Relationship orientation includes the factors that increase customer's willingness to create strong relationships with companies. A higher relationship orientation leads customers to give a positive response to the seller's marketing attempts, for example, to have a meeting or present information. If both sides of the deal seek stronger relationships, they will have a shared purpose and a stronger motivation for the relationship, will share their important information, and there will probably be no conflicts. This shared purpose or goal, mutual relationship, and minimized conflicts lead to strong relationships with the customers who are asking for this relationship (Palmatier et al., 2009).

The relationship with the customers that have low relationship orientation incurs costs upon a company beyond its expectation. Relationship-oriented marketing also incurs some costs upon a customer and the lowest cost a customer incurs upon a company is the cost associated with the relationship with the seller and receiving and using relationship-oriented marketing programs. Therefore, the customers with low relationship orientation consider the intended transaction as inefficient because they feel it less necessary to create a relationship. In contrast, the consumers with high relationship orientation deepen their relationship with the seller via mutual fulfillment of their commitments and even going beyond their commitments (Palmatier, 2008).

### **3. Review of the literature and research hypotheses**

#### **3.1. Perceived functional value (PFV) and CEV**

Based on the Social Exchange Theory, when a customer receives prizes or rewards (functional benefits) from a company, s/he feels beholden to the firm and changes his/her purchasing behavior for appreciation (Palmatier et al., 2009). This can bring desirable outcomes for the company such as a higher volume of purchase, positive word-of-mouth propaganda, and willingness to co-create. Therefore, the prizes and rewards stimulate CE due to their economic value and creation of positive feelings and

functional value (Bijmolt et al., 2018). Ashil and Sinha (2004) found that functional value influences customers' intention to purchase. Murali et al. (2016) also showed that perceived value of after-sales services affects CE. Furthermore, Van Doorn et al. (2010) believe that a customer will engage in value creation for a company if its prices are lower and s/he obtains the highest benefit even if the company does not know its potential profit. On this basis, it is hypothesized that:

H<sub>1</sub>: PFV has a significantly positive effect on CE.

### 3.2. Customer PEV and CEV

According to Chang and Chang (2017), customers with high hedonic experience share their experiences with others and make positive word-of-mouth propaganda. When people receive word-of-mouth propaganda to increase the hedonic values related to their entertainment and happiness, they are willing to see the recommended product as an opportunity for achieving positive results (Zhang et al., 2010). The study by Chang and Lin (2014) showed that the users who receive more hedonic value in the virtual environment have a higher contribution to sharing knowledge. In addition, studies on the social media show that when customers experience a happy and enjoyable interaction with a particular brand/company, they are more willing to engage in electronic word-of-mouth propaganda, continue to use the brand, and to be loyal to it (De Vries and Carlson, 2014; Shi et al., 2016; Carlson et al., 2018). Accordingly, it is hypothesized that:

H<sub>2</sub>: PEV has a significantly positive effect on value creation.

### 3.3. PSV and CEV

In addition to giving a desirable feeling and awareness that a good decision has been made, social value affects individuals' satisfaction (Moliner et al., 2007). Besides, it acts as a normative factor (García de los Salmones et al., 2009; Ferguson et al., 2010). In fact, after evaluating all dimensions of the provided service, customers take into account the views of their reference social group (Fishbein and Ajzen, 1975; 1980). Social practices not only affect customers' attitudes but also promote their social perceptions as a normative factor that affects their final intentions (Peterson and Hermans, 2004; Escalas and Bettman, 2005).

Companies, accordingly, create a sociological background by classifying people into different classes of customers, which mutually strengthens the relationship between customers and the companies stimulating CE (Bijmolt et al., 2018). Theoretical texts related to group solidarity show that consumers tend to use the brands that are matched with the image and reputation of their group (Escalas and Bettman, 2005).

Brashear-Alejandro et al. (2016) found that social benefits (such as recognition and preferential treatment) presented by a company create a strong and rich identity for groups of customers. As pointed out by Drèze and Nunes (2009), these benefits influence customers' perceived feelings about superiority, which have a pivotal role in helping to satisfy an individual's self-definitional needs (Jajfel and Turner, 1979). Therefore, the social benefits presented by the company present an important source of value by forming a social identity. This increases the importance of the customer-company relationship and develops positive attitudes such as confidence, commitment or loyalty leading, finally, to CE (Brodie et al., 2011). Rio et al. (2012) showed that CPV influences their satisfaction. Customer satisfaction, on the other hand, predicts behavioral intentions via CE. Accordingly, it can be hypothesized that:

H<sub>3</sub>: PSV has a significantly positive effect on CE in value creation.

### 3.4. The mediating role of customer relationship orientation

The results of Palmatier et al. (2008) indicated that customer relationship orientation has a positive effect on relationship-oriented marketing activities. When a customer's relationship orientation increases, s/he is more likely to accept relationship-oriented marketing attempts of the seller. As shown in the study by Palmatier (2008), customers with low relationship orientation, if provided with a an offer from a supplier to do their transactions automatically (without the need for their presence), they will hand over 21% of their business to the supplier. Since past support is not predictive of future behavior of the customers with low relationship orientation, if the seller could identify these types of customers and have an interaction with them (for example electronically), it would be able to save on costs, increase the services they provide to the existing customers and attract the customers of their competitors. Therefore, companies need to classify their customers based on the level of their relationship orientation and use this information for correct targeting in marketing investment (Palmatier, 2008). On this basis, it can be hypothesized that:

H<sub>4</sub>: PEV has a larger effect on CE in value creation in relationship-oriented than non-relationship-oriented customers.

H<sub>5</sub>: PSV has a larger effect on CE in value creation by the relationship-oriented than non-relationship-oriented customers.

Based on the theoretical and experimental background presented in this section, the conceptual model of the study is presented in Figure 1.

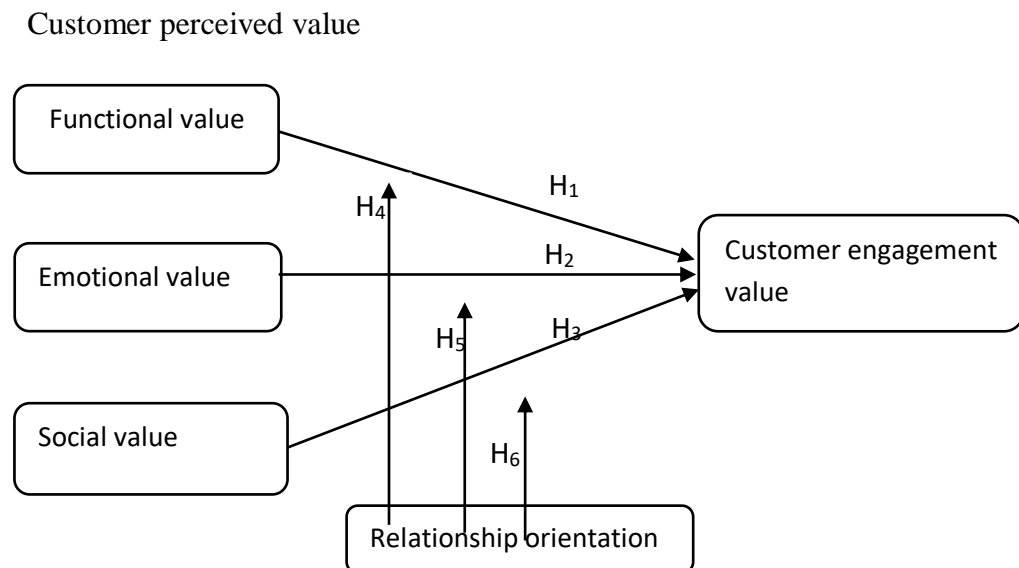


Figure 1. Conceptual model of the study

### 4. Method

The present study is applied in terms of purpose and causal survey-based in terms of method. Using library studies, the theoretical and experimental background was presented for the development of the theoretical model and supporting the research hypotheses. Then, using field studies, the model and research hypotheses were experimentally tested based on the data from Kosar Financial and Credit

Institution. The sample population of the study included the customers of Kosar Financial and Credit Institution in Tehran province. A questionnaire was developed based on a detailed analysis of the related literature and the previous studies. A total number of 33 items were used for measuring the research variables. CPV was measured using Carlos Fandos Roig et al.'s (2006) framework and 23 questionnaire items. CEV was also assessed using 12 items developed by Kumar and Pansari (2016). Customer relationship orientation was also measured using four questionnaire items obtained from Paltamier et al. (2008).

The questionnaire was pretested using the views of a number of bank managers and university teachers in the field of marketing and, finally, corrections were made in the wording of the questionnaire items and to ensure consistency of the items based on an experimental analysis. All the research variables were measured using a seven-point likert scale with answers ranging from 1 indicating 'totally disagree' to 7 indicating 'totally agree'.

It should be noted that, as mentioned in the review section, Kumar and Pansari (2016) introduced four dimensions for measuring CEV. However, in analysis of the sample population we noticed that the selected bank in the present study has not invested in CRV and does not give and consider a prize or advantage for those introducing new customers. Therefore, in the present study, customer referral value was eliminated from the four CEVs.

Structural equation modeling (SEM) was used for testing the research hypotheses. The two stage approach was used to prevent the interaction between the measurement model and the structural model and to more carefully examine the validity of each variable.

Any of the constructs under study including CPV, CEV and customer relationship orientation was separately analyzed in a measurement model. The results of confirmatory factor analysis related to CEV and relationship orientation showed that the factor loading for all the items was higher than 0.5 and the model fit indices were acceptable. However, in the case of CPV, factor loading of all the items except for q5, q12 and q16 was higher than 0.5. By removing these items, the fit indices indicated acceptable levels. The results of factors loadings and fit indices are presented in Table II.

Cronbach's alpha, combined reliability (CR) and average variance explained (AVE) were used for assessing reliability of the research variables. As noted by Bagozzi and Yi (1988), combined reliability should be equal to or higher than 0.6; AVE should be equal to or higher than 0.5; and Cronbach's alpha should be higher than 0.7. On this basis, as shown in Table I, CR, AVE and Cronbach's alpha values were within the acceptable level. Therefore, reliability of the research variables was confirmed.

Table I. Questionnaire items, factor loadings and reliability coefficients of the research constructs

Construct	Items	Standardized factor loadings	Cronbach's alpha	Cobbin reliability	AVE
Functional value	This bank seems organized.	0.70	0.907	0.928	0.522
	This bank has modern equipment and wide and clean physical space.	0.68			
	This bank is spatially in an appropriate location and is easy to access.	0.72			
	Employees of this bank know their job well.	0.78			
	The advice and suggestions provided by	0.64			



	the bank employees were very valuable.				
	Employees have enough information about all the services that the bank provides.	0.76			
	Services are provided in an appropriate way in this bank.	0.72			
	The quality of services in this bank is acceptable compared to other banks.	0.75			
	The services of this bank meet my expectations.	0.73			
	Employees are always friendly.	0.68			
	The costs obtained for the provided services is logical and appropriate relative to the provided services.	0.84			
	The interest paid by the bank is good compared to other banks.	0.66			
Emotional value	In this bank, usually there is not a long waiting queue.	0.68	0.811	0.811	0.519
	I feel comfortable in this bank.	0.74			
	The personnel of this bank give me a positive feeling.	0.71			
	I feel that the bank personnel are working eagerly to satisfy my needs.	0.75			
Social value	It is enjoyable to use the services of this bank.	0.75	0.745	0.751	0.60
	Using the services of this bank creates a good feeling in me.	0.85			
Customer engagement value	I will use the services of this bank in the future.	0.70	0.931	0.93	0.53
	I am satisfied with the services provided by this bank.	0.69			
	When I received services from this bank, I do not pay much attention to the money I pay.	0.73			
	Buying services from this bank makes me happy.	0.73			
	I do not raise a discussion about this bank on any social media.	0.61			
	I talk to others about my experience of this bank's services.	0.81			
	I talk to others about the advantages I get from the services of this bank	0.71			
	I have a sense of belonging to this bank.	0.74			

	I tell managers and employees of the company about my experience of the services provided by this bank.	0.74			
	I not only point out the shortcomings of the bank but make suggestions for improving its performance as well.	0.74			
	I make suggestions and provide feedback on the new services of this bank.	0.82			
	I present suggestions and feedback on how to develop the services of this bank.	0.70			

Validity of the study was evaluated using content validity and construct validity (convergent and divergent validity). Content validity was examined using experts' comments. Furthermore, considering the fact that all the factor loadings of the questionnaire items related to each construct were statistically significant ( $p < 0.001$ ) and their values were higher than 0.5, convergent validity was confirmed (see Table I). Finally, divergent validity was assessed using the two methods mentioned by Kline (2005) and Fornell and Larcker (1981). Kline pointed out that the correlation coefficient estimated between the factors should be lower than 0.85 for divergent validity to be confirmed. As shown in Figure 2, the correlation between the factors is lower than 0.85. Therefore, divergent validity was also confirmed. According to Fornell and Larcker (1981), divergent validity will be acceptable when the square root of AVE values for each construct is higher than the shared variance between that particular construct and other constructs in the model. As presented in Table III, the results related to the correlations and AVE square root on the axis of Table III confirm divergent validity of the model at the construct level based on Fornell and Larcker's criterion as the correlation coefficient for all constructs is lower than the square root of the AVE.

Table II. The model fit indicators for measuring the research variables

	$\chi^2$	df	p	GFI	TLI	NFI	CFI	RMSEA	$\chi^2/df$
Perceived value	384.17	128	0.000	0.959	0.955	0.945	0.962	0.045	3
Customer engagement value	202.30	51	0.000	0.967	0.957	0.956	0.966	0.055	3.96

Table III. Correlation matrix and square root of the values

Construct	(1)	(2)	(3)	(4)
(1) functional value	0.722			
(2) Emotional	0.07	0.720		
(3) Social	0.106	0.12	0.774	
(4) Customer engagement value	0.33	0.12	0.35	0.728

## 5. Findings

Using maximum likelihood estimation, the structural equation modeling (SEM) was conducted. The results of SEM are presented in Table IV and demonstrated in Figure 2. The findings showed that except in the case of the second hypothesis, the rest of the hypotheses were significant at  $p < 0.001$  and were, therefore, confirmed. In addition, the model fit indices (see Table V) showed that all the fit indices lied within the acceptable limit and the model presented in the study enjoys a good fitting.

Table IV. Testing the research hypotheses using estimation of standardized coefficients

Hypothesis	Hypothesized paths	Coefficients	Std. error	Standardized coefficients	Critical value (t-value)	p	Result
H <sub>1</sub>	Functional value → customer engagement in value creation	0.383	0.049	0.32	7.77	0.000	Confirmed
H <sub>2</sub>	Emotional value → customer engagement in value creation	0.043	0.034	0.046	1.24	0.213	Rejected
H <sub>3</sub>	Social value → customer engagement in value creation	0.283	0.031	0.431	9.074	0.000	Confirmed

Table V. Model fit indices of the SEM

	$\chi^2$	df	p	GFI	AGFI	TLI	NFI	CFI	RMSEA	$\chi^2/df$
Primary model	831.911	392	0.000	0.947	0.937	0.958	0.931	0.962	0.034	2.12

As shown in Table IV, considering the significance level of the research hypotheses, it can be claimed at 99% level of significance that among the dimensions of perceived value, functional value and social value have a significant and positive effect on CE in value creation in Kowsar Financial and Credit Institute. Based on the path coefficients, it can be concluded that social value with a coefficient of 0.431 has the largest effect on CE in value creation. In other words, with a one-unit increase in customer PSV, CE in value creation for Kowsar Institute will increase by 0.43 units.

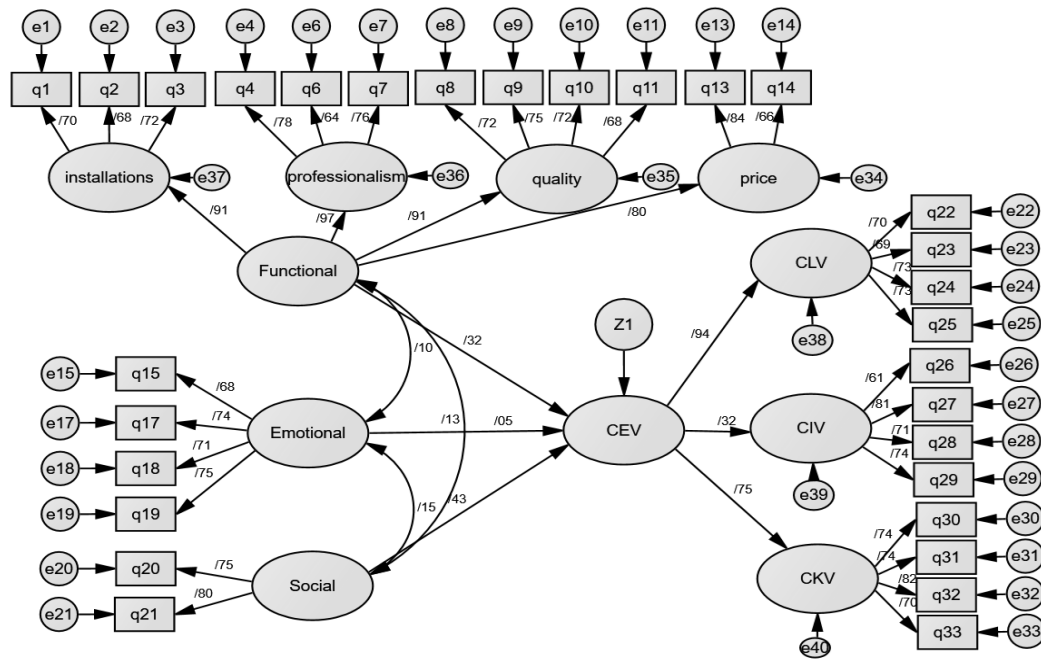


Figure 2. The result of the presented structural model

### 5.1. The results of relationship orientation mediating model

The term 'relationship-oriented customers' refers to the customers with higher-than-average relationship orientation scores and non-relationship-oriented customers refers to those with lower relationship orientation scores. It is assumed that the effect of perceived value on CE is different depending on the type of relationship. Table VI and Table VII present the results of multi-group structural equation modeling related to the variable of relationship orientation.

Table VI. Comparing the differences in  $X^2$  values (in relationship orientation)

Hypothesis	Assumed path	Model	$X^2$	df	$\Delta X^2$	p
H <sup>4</sup>	Functional value → customer engagement in value creation	Equal model	1461.176	787	6.195	0.014
		Unrestricted model	1454.981	786		
H <sup>5</sup>	Emotional value → customer engagement in value creation	Equal model	11455.149	787	0.169	0.681
		Unrestricted model	1454.981	786		
H <sup>6</sup>	Social value → customer engagement in value creation	Equal model	1461.30	787	5.660	0.017
		Unrestricted model	1455.640	786		

Table VII. Estimation of path coefficients in multi-group structural equation modeling in relationship orientation

Hypothesis	Assumed path	Low relationship orientation			High relationship orientation		
		Standardized coefficients	t-value	P	Standardized coefficients	t-value	P
H <sup>4</sup>	Functional value →customer engagement in value creation	0.229	7.42	0.000	0.309	7.422	0.000
H <sup>5</sup>	Emotional value →customer engagement in value creation	0.119	1.12	0.262	0.038	1.32	0.252
H <sup>6</sup>	Social value →customer engagement in value creation	0.417	8.774	0.000	0.871	8.774	0.000

Based on the results presented in Table VI, hypotheses 4 and 6 were confirmed meaning that the effect of perceived functional and social value on CE in value creation varies in relationship-oriented and non-relationship-oriented customers in Kowsar Institute and is statistically significant because the  $\chi^2$  changes of the unrestricted and equal model are statistically significant ( $p < 0.05$ ). An examination of the results presented in Table VII reveals that in relationship-oriented customers, the effect of perceived functional and social value on CE in value creation for Kowsar Institute is higher compared to the non-relationship-oriented customers. With regard to the effect of functional value on CEV,  $\beta$  value is 0.309 and 0.229 in relationship-oriented and non-relationship-oriented customers, respectively. Furthermore, concerning the effect of social value on CEV,  $\beta$  value is 0.871 in relationship-oriented customers and 0.417 in non-relationship-oriented customers.

In the case of the fifth hypothesis, based on Table VI, it can be stated that  $\chi^2$  changes of the unrestricted model and equal model was statistically 0.681. Considering the fact that it was higher than 0.05, this difference was not statistically significant at 95% confidence so the fifth hypothesis was rejected.

## 6. Discussion and conclusion

Given the existing competition in the market, banks should develop particular plans for keeping the existing customers and attracting new ones. One of the factors playing an effective role in this regard is the creation of different values for customers in a way that they can easily perceive them. CPV is the basis of purchasing behavior, in general, and customer satisfaction and loyalty, in particular (Ryo, Lee and Kim, 2006).

In the previous studies, perceived value has been examined in the framework of customer satisfaction, word-of-mouth propaganda, and loyalty (e.g., Carlson et al., 2006; 2009) and CEV as the main outcome of perceived value has been rarely addressed. Accordingly, the present study examined the effect of CPV on CEV in the banking industry. Considering the fact that not all customers are interested in creating a

relationship with businesses, customer relationship orientation was also considered as the mediating variable in the present study.

The findings of the present study showed that customer PFV has a positive effect on CE in value creation for the bank. Based on the Social Exchange Theory, when a customer receives gifts or prizes (functional benefits) from a company, s/he will feel indebted to the company for the prizes or gifts s/he has received and changes his/her purchasing behavior for appreciation (Palmatier et al., 2009). This can bring different desirable outcomes to the company including high purchase volume, positive word-of-mouth propaganda, and willingness to co-create. This finding is in line with the results of Ashil and Sinha (2004) and Murali, Pugazhendhi and Muralidharan (2016).

The findings further showed that customer PEV has no effect on CE in value creation for the bank. Although the studies by Shi et al., (2016), Chang and Chang (2017) and Carlson et al. (2018) indicated that hedonic value and PEV have an effect on customer behavior including loyalty, word-of-mouth propaganda and sharing knowledge, a more careful analysis of these studies reveals that these studies have been conducted in the context of social media and hoteling services, which have an entertaining nature. The present study, however, was conducted in the banking context, where services have a logical and functional dimension and customer's decision to purchase banking services is primarily logical.

The results were also indicative of the positive effect of customer PSV on CE in value creation for the bank. As pointed out by Brodie et al. (2011), social value presented by a company present a valuable source of value to the customers by forming a social identity. This increases the importance of customer-company relationship and promotes positive attitudes such as trust, commitment or loyalty and, finally, leads to CE. Bojmolt et al. (2018), and Ryo, Lee and Kim (2012) came up with a similar finding.

Finally, based on the findings, the effect of functional and social perceived value on CE in value creation was found to be higher for relationship-oriented rather than non-relationship-oriented customers. On this basis, relationship-oriented customers are more active than non-relationship-oriented customers in value creations for the banks and this can be an appropriate market for value creation for the banks.

Generally, it can be stated that given the role of CPV in CE, banks need to put a higher emphasis on functional and social value in developing their marketing strategies and present a higher perceived value than the competitors to gain a competitive advantage in the market.

Considering the fact that in the main model of the study, the effect of perceived value on CEV was examined and the findings emphasized the effect of functional and social value on any of the CEVs, researchers and marketing experts can predict marketing strategies and customer management strategies on this basis and influence customers' behavior.

According to Kumar and Pansari (2016), customers can bring benefits to a firm in different ways including influence value and customer knowledge value. Any of these factors is suggested to be examined during the time and provide the ground for the development of particular strategies for their advancement. For example, for CE through referring new customers to the bank and influencing others, incentive programs can be used for the initial customer transactions and even additional transactions. Furthermore, to increase customer direct engagement (increase customer life), promote the social position of customers and give them an identity, it is suggested to give customers a feeling of happiness, self-confidence and motivation required for future exchanges after receiving services.

For attracting CE and transfer of their knowledge, banks are recommended to carry out a survey with their customers to learn about their ideas and suggestions for identifying and resolving the existing shortcomings in the services and promoting the services. In addition, along with the development of marketing strategies, matching and development of customer management strategies is also essential because it increases the opportunities for promoting CE. Accordingly, banks need to evaluate CE in

particular periods of time to be able to use the best and the most efficient customer management strategies for keeping and attracting the best and the most loyal customers.

Obviously, for carrying out the suggested measures, banks need particular means and processes. First of all, they can use modern communication technologies for obtaining further value from the customers. Considering the fact that advanced communication technologies create an appropriate infrastructure for transferring experiences and facilitate CE, institutes are suggested to use all modern communication channels such as the internet, phone bank, mobile banks, social networks, etc. so that customers can easily engage in creating value for the companies in the framework of sharing their experiences with others, doing word-of-mouth propaganda and presenting ideas and feedback using these technologies. They can also divide the customers based on their level of relationship orientation and allocation of relationship-oriented marketing resources in accordance with customers' relationship orientation. Based on the finding that the effect of perceived functional and social value on customer engagement in value creation varies depending on customers' relationship orientation, it can be claimed that some customers are not interested in creating a relationship. Therefore, allocation of resources to this type of customers is, in fact, a waste of bank resources. Therefore, bank managers are recommended to classify customers into different classes and allocate the required resources for creating and maintaining a long-term relationship according to their relationship orientation to ensure efficiency of marketing strategies and increase CE in value creation for the banks.

The present study was constrained by certain limitations, however. One of the limitations was the selection of Kowsar Financial and Credit Institute, whose customers are clearly different from other banks and financial institutions. Therefore, caution should be practiced in generalizing the findings to all the banks and financial institutions. Future studies could replicate this study in other banks and service industries. Besides, the present study examined CEV from Kumar et al.'s (2010) perspective. Desart (2016), however, examined CE in three dimensions including cognitive, emotional and behavioral. Future studies could examine the effect of CPV on CE from Desart's perspective. In addition to CPV, there might be other factors not addressed in the present study that influence creation of value by customers. Therefore, researchers are suggested to study the role of variables such as customer experience and level of cognitive involvement of customers or services.

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