



Generating positive word-of-mouth in the service experience

Generating
positive
word-of-mouth

133

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Abstract

Purpose – This paper seeks to investigate the effects of relationship benefits on relationship quality and aspects of service quality, namely technical and functional quality, and the subsequent influence on word-of-mouth behavior.

Design/methodology/approach – The paper reports results from a structural equation model that utilizes data from 591 consumers across a range of services.

Findings – The findings highlight the important role of relationship benefits in driving customer perceptions of technical, functional and relationship quality. While confidence, social and special treatment benefits drive technical and functional quality, it is only confidence benefits that drive relationship quality. Furthermore, it is found that functional and relationship quality drive word-of-mouth behavior.

Research limitations/implications – The findings of this study contribute to the literature by showing the differential impact that relationship benefits have on quality – technical, functional, and relationship – and subsequently the effect that functional and relationship quality have on word-of-mouth behavior.

Practical implications – The paper provides firms with the knowledge needed to more effectively implement relationship-marketing activities. As the service economy continues to grow, competition intensifies, and to ensure service excellence, firms need to establish strong relationships with their customers as the quality of the customer-provider relationship can increase word-of-mouth behavior.

Originality/value – The paper empirically investigates the role of relationship benefits in enhancing perceptions of quality while also providing an analysis of the differential role of functional, technical, and relationship quality in enhancing customers' word-of-mouth intentions.

Keywords Relationship marketing, Customer services quality, Interpersonal communications, Service delivery

Paper type Research paper



Introduction

Defined as any positive communication about a service firm's offerings, positive word-of-mouth (WOM) communication is considered a key relational outcome (Freiden and Goldsmith, 1988; Hennig-Thurau *et al.*, 2002; Harrison-Walker, 2001). As an information source, positive WOM is a powerful input into decision making. With

consumers exposed to numerous marketer-generated communications, which are designed to gain attention and alter behavior, WOM stands out as a highly trusted information source. Examples may include giving recommendations about a service provider, passing along positive comments about particular service aspects and encouraging friends and family to purchase from a particular provider. Word-of-mouth assists in attracting new customers which is important for a firm's long term economic success (Hennig-Thurau *et al.*, 2002). It also serves to reduce cognitive dissonance for existing customers (Wangenheim, 2005). Because cognitive dissonance, is experienced by individuals, over the concern of having made a wrong decision (Festinger, 1957), customers spread WOM as they try to convince themselves of the purchase decision they made (Wangenheim, 2005). Evidently, WOM is one of the strategies used by customers to reduce their post-decision dissonance (Festinger, 1957).

Word-of-mouth is especially important for service providers whose offerings are largely intangible, and experience or credence based. In these services customers rely heavily on the advice and suggestions from others who have experienced the service (Kinard and Capella, 2006). Furthermore, consumers often trust each other more than they trust communication from firms, thus highlighting the importance of WOM (Zeithaml and Bitner, 1996). While the literature recognizes the importance of WOM, research examining the antecedents of WOM and particularly the impact of customer-employee relationships and service quality perceptions on WOM intentions, it remains limited (Gremler *et al.*, 2001).

This research extends prior literature by investigating possible antecedents of customer WOM behaviors. Customer WOM is arguably one of the most important outcomes of customer-firm relationships (Brown *et al.*, 2005; Reichheld, 2003; White and Schneider, 2000). Managers need to be aware of the ability that relationship benefits and service relationship quality may have to increase customer WOM propensity. To this end, we examine the collective effect of benefits (Gwinner *et al.*, 1998) and service and relationship quality on WOM behaviors.

Consistent with prior literature, we conceptualize relationship benefits as consisting of three different types of benefits, namely, confidence, social, and special treatment benefits offered to the customer beyond the core service offering (Gwinner *et al.*, 1998). Confidence benefits refer to perceptions of reduced anxiety and increased comfort in knowing what to expect from service encounters (Gwinner *et al.*, 1998). They represent customers' desires for relationship stability and confidence in core service provision (Patterson and Smith, 2001). Social benefits refer to the benefits received from actual relationships with service firms (Reynolds and Beatty, 1999). Special treatment benefits pertain to benefits such as price breaks, faster service or individual service for customers with an established relationship (Gwinner *et al.*, 1998). We suggest that confidence, social, and special treatment benefits enhance customer perceptions of technical, functional, and relationship quality.

The quality of the service that customers receive (e.g. Aydin and Ozer, 2005; Fullerton, 2005) as well as the quality of the relationship they have with a service provider or firm (e.g. De Wulf *et al.*, 2001; Smith, 1998; Wong and Sohal, 2002) are often seen as antecedents to positive customer outcomes. Within such a framework, service quality has been conceptualized as comprising a technical dimension which relates to the expertise and know-how of the service provider and a functional dimension which refers to how the service is actually provided (Choi *et al.*, 2004; Ferguson *et al.*, 1999;

Gronroos, 1984). Relationship quality, on the other hand, is seen as the customer's positive feelings towards the service provider, their relationship with the provider in terms of trust and commitment and their overall satisfaction with the provider. In this research, we draw on these conceptualizations and investigate the role of quality – functional, technical and relationship – in enhancing customers' WOM intentions. The research model is depicted in Figure 1.

Conceptual development

Relationship benefits and functional quality

Relationship benefits have been considered an important variable influencing how customers perceive service delivery and associated interactions (Kinard and Capella, 2006; Reynolds and Beatty, 1999). Based on Gwinner *et al.*'s (1998) categorization, we conceptualize relationship benefits as comprising confidence benefits, special treatment benefits and social benefits. These three types of benefits can have a differential impact on consumers' intentions and behaviors (Kinard and Capella, 2006). Since relationship benefits provide additional value to service experiences, it is likely that benefits will enhance a customer's level of perceived service quality, from a functional perspective.

Functional quality refers to the process of core service delivery and the interactions that take place between a customer and service provider (Bell *et al.*, 2005). As many industries become more competitive, firms need to focus on both the core service offering as well as the processes inherent in service delivery that may lead to enhanced customer perceptions (Bell *et al.*, 2005). For example, service providers can increase perceptions of functional quality by hiring employees with training in customer service. Furthermore, firms can enhance functional quality perceptions through improved relationship benefits. Specifically, some research has suggested that confidence benefits are the most impactful on customer outcome behaviors (Kinard and Capella, 2006; Gwinner *et al.*, 1998). Thus, we hypothesize that confidence benefits enhance perceptions of functional quality.

H1. Confidence benefits are positively related to functional quality.

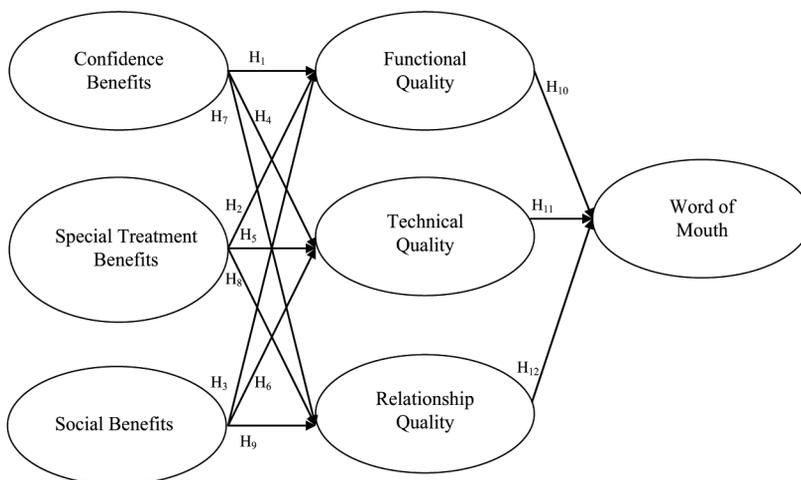


Figure 1.
Research model

Special treatment benefits include monetary and non-monetary benefits offered by a specific service firm as a result of the customer being in a relationship with that provider (Gwinner *et al.*, 1998; Reynolds and Beatty, 1999). Examples include special price discounts, quicker service, or specialized services offered over and above the core service (Hennig-Thurau *et al.*, 2002). Some researchers have acknowledged special treatment benefits as being functionally oriented (Beatty *et al.*, 1996; Reynolds and Beatty, 1999). Similarly, we recognize that special treatment benefits are functional in nature. Since service quality includes functional elements such as friendly and engaging employees (Bell *et al.*, 2005), it is likely that functional quality may be driven by special treatment benefits. Indeed, prior research has shown that employee behaviors can positively enhance customer perceptions of functional quality (Bitner, 1995; Brady and Cronin, 2001). Sometimes, for example, customers need quicker and more specialized service and such special treatment will enhance customers' perceptions of the process occurring during the service encounter. Therefore, we hypothesize that:

H2. Special treatment benefits are positively related to functional quality.

Social benefits are related to customers' relationships with service providers and are therefore somewhat emotional in nature (Hennig-Thurau *et al.*, 2002). Examples include service employees developing friendships with customers, recognizing customers by name, and recalling customer preferences (Berry, 1995; Gwinner and Gremler, 2000). Aspects of functional quality include employees being respectful and courteous to customers (Doney *et al.*, 2007). Therefore, it is logical that social benefits would enhance perceptions of functional quality. Furthermore, Bell *et al.* (2005) imply that dimensions of functional quality include accessible and empathetic employees, a friendly staff, and tangible cues. Since these are the characteristics of social benefits, we hypothesize that social benefits enhance customers' perceptions of functional quality.

H3. Social benefits are positively related to functional quality.

Relationship benefits and technical quality

Technical quality refers to the actual outcome resulting from an encounter with a service provider (Bell *et al.*, 2005; Brady and Cronin, 2001; Sharma and Patterson, 1999). Examples include customers receiving helpful advice from employees or customers perceiving the service performance as meeting their expectations (Bell *et al.*, 2005). Technical quality deals with the reliability of "what" customers expect to receive and the technical know-how and expertise of the service provider (Caceres and Papatoidamis, 2007; Doney *et al.*, 2007; Gronroos, 1984).

Past research suggests that technical quality may be enhanced by increasing relationship-marketing efforts with customers (Crosby and Stephens, 1987). Since confidence benefits have been known to improve relations with customers (Hennig-Thurau *et al.*, 2002; Kinard and Capella, 2006) it is likely that confidence benefits will impact customers' perceptions of technical quality. However, to our knowledge, no prior research has investigated the direct link between confidence benefits and technical quality. Confidence benefits act to reduce any anxiety that customers may face in the purchase decision process. Research on confirmation-bias and choice-supportive bias suggests customers want to make good decisions and tend

to reflect on the positive attributes of experiences to confirm correct decisions were made (Mather *et al.*, 2000; Snyder and Cantor, 1979). Drawing on these theories suggests that as confidence benefits increase and customers are more confident in the service encounter, they will more easily be able to evaluate and reflect on the positive aspects of the quality of the core offering. Furthermore, since technical quality pertains to “what” customers leave the service encounter with, it is likely that confidence benefits will help customers feel assured that they received a quality outcome. Therefore, we hypothesize that:

H4. Confidence benefits are positively related to technical quality.

Similar to confidence benefits, we also examine whether special treatment benefits serve to enhance perceptions of technical quality. Since special treatment benefits are the most tangible in nature of all relationship benefits (Gwinner *et al.*, 1998), it is likely that they will enhance perceptions of the core service outcome. Drawing on social exchange theory, which suggests that customers intuitively make a cost-benefit analysis in their mind when comparing alternatives (Vaughn and Hogg, 2002), it can be suggested that customers receiving special treatment (e.g. price breaks) will perceive greater technical quality. In comparing alternative service providers, customers who feel that they receive special treatment from a specific provider are likely to weigh that in the cost-benefit analysis and thus perceive a better, more favorable outcome offered by that specific service provider. Therefore, we hypothesize that:

H5. Special treatment benefits are positively related to technical quality.

Social benefits reflect the interpersonal relationships that customers have with service firms and employees. Based on attribution theory, customers that are satisfied as a result of the social benefits offered by a firm are then likely to attribute positive feelings towards that firm and have positive perceptions of the core offering. Furthermore, since social interactions play a key role in the development of customer perceptions of quality (Reynolds and Beatty, 1999), it is likely that social benefits will enhance perceptions of technical quality. Indeed, prior research suggests that establishing interpersonal relationships with customers can signal quality of an intangible service offering (Czepiel, 1990). Therefore, we hypothesize that:

H6. Social benefits are positively related to technical quality.

Relationship benefits and relationship quality

While past research has offered different conceptualizations of relationship quality, we view relationship quality as consisting of satisfaction, trust, and commitment. This is an appropriate measure of relationship quality, because trust, satisfaction, and commitment, are often evaluated by consumers in service contexts, as a part of the quality of the relationship being examined (Caceres and Paparoidamis, 2007; Crosby *et al.*, 1990; Hennig-Thurau *et al.*, 2002). Relationship quality, in our study, therefore reflects the overall nature of relationships between customers and service providers (Hennig-Thurau *et al.*, 2002). We conceptualize relationship quality as a uni-dimensional construct reflecting aspects of satisfaction, trust and commitment.

As relationship benefits focus on the “utilitarian-oriented benefits” of a relationship, it is likely that such relational benefits will enhance the overall quality of customer-provider relationships (Hennig-Thurau *et al.*, 2002, p. 231). Relationship

benefits were found to enhance value perceptions, which ultimately drive relational outcomes (Blackwell *et al.*, 1999; Hennig-Thurau *et al.*, 2002). Furthermore, research shows that relationship quality variables such as satisfaction and commitment mediate the link between the relationship benefits and WOM (Hennig-Thurau *et al.*, 2002). Indeed, prior research in the restaurant industry suggests that overall relationship benefits enhance relationship quality (Kim *et al.*, 2006). We therefore propose that relationship benefits serve to improve perceptions of relationship quality.

Consumer confidence has been heralded by some, as a key variable, influencing the relational responses of customers (Berry, 1995; Kinard and Capella, 2006). Similarly, confidence benefits have been considered the most important of all relationship benefits as they increase trust, reduce anxiety, and decrease perceived risk (Berry, 1995; Bitner, 1995; Kinard and Capella, 2006). While prior research has examined the direct impact of confidence benefits on relational outcome variables such as WOM (e.g. Kinard and Capella, 2006), prior studies have largely neglected the more immediate impact of confidence benefits on relationship quality. We provide a deeper investigation by examining the role of confidence benefits on relationship quality. A study in the hotel industry suggests that guest confidence is positively related to relationship quality (Kim *et al.*, 2001). Examples of confidence benefits include feelings of security in knowing what will result from the service encounter and some researchers imply that confidence benefits better align customer expectations of a service experience (Kinard and Capella, 2006), thus suggesting their ability to enhance relationship quality. We therefore hypothesize that:

H7. Confidence benefits are positively related to relationship quality.

Since special treatment benefits are often tangible in nature and refer to benefits such as price breaks and quicker service than expected (Patterson and Smith, 2001), it is likely that they result in perceptions of relationship quality. Specifically, research suggests that special treatment benefits enhance relationship quality variables such as satisfaction (Reynolds and Beatty, 1999) and commitment (Hennig-Thurau *et al.*, 2002). Furthermore, recent research shows that tangible aspects of the service offering such as special prices or services are positively related to relationship quality (Hyun, 2010). Drawing on the reciprocity principle, it is suggested that customers that receive special treatment are compelled to give back to the firm and inherently view the relationship as being positive. Therefore, we hypothesize that:

H8. Special treatment benefits are positively related to relationship quality.

Personal interactions and friendships between customers and employees have been shown to increase satisfaction levels (Gwinner and Gremler, 2000; Price and Arnould, 1999). Similarly, prior research has examined the positive relationship between social benefits and relationship quality constructs such as commitment (Goodwin, 1997; Goodwin and Gremler, 1996) and customer satisfaction with the service provider (Hennig-Thurau *et al.*, 2002). Furthermore, Hennig-Thurau *et al.* (2002) found that commitment mediates the relationship between social benefits and WOM. Finally, customers that feel social bonds with employees will likely have a higher trust level (Bendapudi and Berry, 1997). Therefore, it is possible that social benefits directly enhance relationship quality.

Given the interactions inherent in the consumption of intangible service offerings, service encounters could be considered as social encounters whereby relationships can be developed (Czepiel, 1990). Past research suggests that in effort to improve the relationships firms have with customers, firms should train employees on how to develop interpersonal bonds with customers (Gremler *et al.*, 2001). Furthermore, because face-to-face communication is often inherent in service encounters, social interactions may be especially important to the development of relational bonds (Kinard and Capella, 2006). Indeed, prior research suggests that effective communication and interactions with customers enhance relationship quality (Kim *et al.*, 2001). We therefore hypothesize that:

H9. Social benefits are positively related to relationship quality.

Technical, functional and relationship quality and word-of-mouth

Extant research has investigated the impact that relationship quality has on behavioral outcomes (e.g. Crosby *et al.*, 1990; De Wulf *et al.*, 2001; Wang *et al.*, 2006). Furthermore, many studies suggest that service quality positively impacts outcomes such as behavioral intentions, trust and loyalty (e.g. Aydin and Ozer, 2005; Harrison-Walker, 2001; Zeithaml *et al.*, 1996). Given that WOM is also considered an important service outcome construct (Freiden and Goldsmith, 1988; Hennig-Thurau *et al.*, 2002), it is crucial that firms understand the impact that relationship and service quality have in cultivating positive WOM behaviors among customers.

Different types of quality associated with customers' experiences with service providers can have different, but influential, impacts on customer attitudes and behaviors (Bell *et al.*, 2005; Ferguson *et al.*, 1999). For example, technical service quality has a greater impact on loyalty than does functional quality (e.g. Bell *et al.*, 2005). Prior literature reports the positive impact of technical, functional, and relationship quality on behavioral outcomes, but scant research has examined the effect of these types of quality on WOM behaviors. We therefore examine the direct link that functional, technical, and relationship quality have on customer's likelihood of engaging in positive WOM.

Since functional quality relates to the process occurring throughout a service encounter (Bell *et al.*, 2005), it is likely that high functional quality may encourage customers to engage in positive WOM behaviors. Customers tend to talk about their experiences and the process occurring alongside a service offering is crucial in determining customer perceptions and their resulting actions. Indeed, prior research suggests that functional benefits and quality are positively related to relational outcomes such as satisfaction and overall commitment to the firm (Caceres and Paparoidamis, 2007; Sweeney and Webb, 2007). Furthermore, prior research suggests that functional quality enhances service management effectiveness, which can be assessed through increased customer WOM (Ferguson *et al.*, 1999). We therefore hypothesize that:

H10. Functional quality is positively related to word-of-mouth.

Related to the outcome customers receive from service encounters (Bell *et al.*, 2005; Sharma and Patterson, 1999), technical quality (e.g. receiving helpful advice) could impress customers and result in the customers telling others about high quality experiences (Bell *et al.*, 2005; Ferguson *et al.*, 1999). For example, research has shown

that customers' perception of high performance is positively related to WOM intentions (Soderlund, 2002). Furthermore, since technical quality deals with what customers are actually left with after the transaction (Caceres and Paparoidamis, 2007; Doney *et al.*, 2007; Gronroos, 1984), it is likely that customers will walk out of the transaction and communicate to others about the outcome received in the service encounter. We therefore hypothesize that:

H11. Technical quality is positively related to word-of-mouth.

Many firms focus on building relationships with customers to enhance positive WOM. Research suggests that customer-employee relationships enhance positive WOM among customers (Gremler *et al.*, 2001). Furthermore, customers who feel quality relationships with service providers are more likely to be advocates of the firm, which is often shown through positive WOM (Griffin, 1995; Reynolds and Beatty, 1999). Hence, it is important to investigate how the quality of a relationship influences WOM communications. Many studies have shown that aspects of relationship quality, namely, satisfaction, commitment and trust influence WOM (Anderson and Sullivan, 1993; Anderson and Weitz, 1989; Dwyer *et al.*, 1987; Hennig-Thurau *et al.*, 2002; Sui and Baloglu, 2003). Since relationship quality is a combination of satisfaction, trust, and commitment, we suggest that relationship quality enhances customer's likelihood of engaging in WOM communication. Indeed, prior research on hotels and luxury restaurants has shown that relationship quality is positively related to positive WOM (Kim *et al.*, 2001; Kim *et al.*, 2006). Therefore, we hypothesize that:

H12. Relationship quality is positively related to word-of-mouth.

Research method

Given that the generation of positive word-of-mouth is important across a range of service industries, we examine our model across a range of services contexts, namely travel agents, hairdressers, family doctors, photo printing service, general banking, pest control, cinemas, airlines and fast-food outlets. To begin, we pilot tested our questionnaire on a representative sample of 30 consumers who had used these services recently. The services were presented to the sample by asking respondents to "choose one service provider from the following list that you feel you have a current relationship with". Once the respondent(s) select the service provider, the remainder of the questionnaire evaluated aspects of only that service provider. Following, a major national sample of 3,000 people aged 18 or older was accessed through a systematic random draw from a commercially available mailing list which is updated bi-annually. The only criterion is that respondents must have used one of nine services in the last six months. Questionnaires were returned over the following six weeks. Sixty eight questionnaires were "returned to sender" as the intended recipient had left without a forwarding address. The final sample size was 591 representing a response rate of $591/(3000-68) = 20.2$ per cent which falls within the upper end range of mail response rate that is typical of service research (Dillman, 2007). Common method bias was considered when designing the survey, and Harman's single-factor test found no evidence of such bias (Podsakoff *et al.*, 2003). The demographic profile for the sample was spread over gender, age, income and education groups as can be seen in Table I.

Demographics	Percentage	Generating positive word-of-mouth	
<i>Gender</i>			
Male	43	<hr/> 141 <hr/>	
Female	57		
<i>Age</i>			
15-24	25		
25-34	10		
35-44	11		
45-54	18		
55-64	18		
65 +	18		
<i>Annual income</i>			
Less than 20,000	37		
20,000 to 39,999	24		
40,000 to 59,999	21		
60,000 to 79,999	8		
80,000 and more	10		
<i>Education level</i>			
High school	43		
Technical	25		
University	32		
Note: $n = 591$			

Table I.
Sample demographic profile

Measures

Existing scales were adapted for this study. Relationship benefits were operationalized as confidence, social and special treatment benefits as per Gwinner *et al.* (1998) and Reynolds and Beatty (1999). Service quality was operationalized as functional and technical quality and scale items were derived from Brady and Cronin (2001) and Gronroos (1984). Relationship quality was operationalized as a uni-dimensional construct (rather than as a second order construct) that comprised elements of satisfaction, trust and commitment from Doney and Cannon (1997), Hennig-Thurau *et al.* (2002), Morgan and Hunt (1994) and Oliver (1997). It is worth noting that we did test relationship quality as a second-order factor in our model and found no substantive differences between conceptualizations. Word-of-mouth was measured with items from Zeithaml *et al.* (1996). Scale items can be found in the Appendix (see Table A1).

Statistical procedures

The research model was assessed through structural equation modeling using AMOS 6.0 (Byrne, 2001). The maximum likelihood estimation method of SEM was applied to the analysis, as it is robust to minor variations of normality (Chou and Bentler, 1995; Hoyle, 1995). Specifically, a two-step approach to SEM was employed (Anderson and Gerbing, 1988). The measurement model was first specified and evaluated through confirmatory factor analysis (Garver and Mentzer, 1999). Once the measurement model was validated, the structural relationships between the latent constructs in the research model were then estimated to complete the two-step approach (Anderson and Gerbing, 1988; Garver and Mentzer, 1999).

Reliability and validity of measures

A correlation matrix and summary statistics of the constructs and variables in Figure 1 is provided in Table I. Cronbach's alpha indicated that reliabilities of all scales are above 0.8, and could be used with confidence. Analysis of the measurement model resulted in adequate fit, and all items were found to serve as strong measures of their respective constructs ($\chi^2(131) = 587.3, p < 0.01, CFI = 0.96, IFI = 0.96, RMSEA = 0.07$).

The analysis revealed adequate levels of construct reliability. Construct reliability estimates exceeded 0.80 and average variance extracted exceeded the criterion value of 0.50. Table II provides Cronbach's alpha, scale reliability and average variance extracted results. As all *t*-values were significant ($p < 0.01$) and as the average variances extracted were greater than 0.50, convergent validity was established. Fornell and Larcker's (1981) test was initially used to examine validity, and if a pair of constructs did not pass this test Anderson and Gerbing's (1988) approach was then used to establish the discriminant validity of the measures.

Results

Fit and structural parameters for our model can be seen in Table III. The testing of the research model depicted in Figure 1 revealed fit statistics that are of an acceptable level ($\chi^2(103) = 464, p < 0.01, CFI = 0.96, IFI = 0.96, RMSEA = 0.08$). Examination of the statistical significance and direction of the parameter estimates indicated that nine of the 12 hypotheses were supported (see Table IV). The final model, with results, are shown in Figure 2.

To begin, confidence benefits had a positive and significant impact on service relationship quality[1]. Confidence benefits were found to have a large effect ($\beta = 0.691, p < 0.05$) on functional quality, technical quality ($\beta = 0.812, p < 0.05$) and relationship quality ($\beta = 0.962, p < 0.05$), supporting *H1*, *H4* and *H7*. Next, special treatment benefits were found to impact functional ($\beta = -0.067, p < 0.05$) and technical quality ($\beta = -0.146, p < 0.05$), which supports *H2* and *H5*. Following, social benefits had a moderate effect on functional quality ($\beta = 0.279, p < 0.05$) and technical quality ($\beta = 0.175, p < 0.05$), supporting *H3* and *H6*. However, the results show that special treatment benefits and social benefits have no effect on relationship quality, thus *H8* and *H9* are not supported. Finally, functional quality and relationship quality were found to have a positive and significant effect on WOM. Specifically, functional quality ($\beta = 0.222, p < 0.05$) has a moderate effect while relationship quality has a large effect ($\beta = 0.946, p < 0.05$) on WOM, thus supporting *H10* and *H12*. Surprisingly, technical quality was not found to have an impact of WOM, thus *H11* is not supported. To further understand the relationships in this model, we also scrutinized the indirect effects that confidence, social and special treatment benefits have on WOM. Results found that confidence benefits ($\beta = 0.86$) have a large positive indirect effect on WOM; social benefits ($\beta = 0.035$) have a small positive indirect impact on WOM and finally special treatments ($\beta = -0.002$) have a negligible negative impact on WOM. Evidently, confident benefits have the largest indirect effect on WOM.

Discussion and conclusions

The findings of this study highlight the important role relationship benefits play in driving customer perceptions of service quality and in particular technical and

	Confidence benefits	Social benefits	Special treatment benefits	Functional quality	Technical quality	Relationship quality	Word of mouth
Confidence benefits	1.00	0.54	0.36	0.76	0.75	0.85	0.72
Social benefits		1.00	0.50	0.60	0.52	0.53	0.49
Special treatment benefits			1.00	0.32	0.24	0.38	0.38
Functional quality				1.00	0.82	0.70	0.68
Technical quality					1.00	0.72	0.65
Relationship quality						1.00	0.76
Word of mouth							1.00
Mean	5.28	3.74	2.78	5.18	5.60	5.09	5.09
SD	1.27	2.06	1.66	1.37	1.27	1.25	1.52

Table II.
Correlation matrix and
descriptive statistics

functional service quality. We found that while confidence and social benefits increase perceptions of both functional and technical quality, special treatment benefits serve to reduce the customer's perception of quality. As confidence benefits reduce anxiety and increase confidence in the service provider's ability to deliver on its promises and social benefits reflect the emotional aspect of relationships, such as personal recognition, (Gwinner *et al.*, 1998) it is not surprising that these benefits drive perceptions of service quality. Special treatment benefits, on the other hand, are the most tangible of the benefits customers receive from service firms (Gwinner *et al.*, 1998), and pertain to benefits such as price breaks for customers with an established relationship (Gwinner *et al.*, 1998). The negative effect these benefits have on service quality perceptions may be a result of consumers feeling that the provision of extra benefit such as a price break may result in a lower level of service provision. That is, customers may think that the provider will "cut corners" thus reducing quality as a way of making up any lost revenue due to providing the customer with a special price deal or other similar benefit. Managers aiming to increase quality perceptions would be better off providing customers with enhanced confidence and social benefits than special treatment benefits. Given that the direct costs associated with providing these types of benefits

Table III.
Scale reliability and validity

SEM scale reliability for unobserved structural path constructs	EFA Cronbach's alpha	Construct reliability	CFA Average variance extracted
Confidence benefits	0.907	0.909	0.715
Social benefits	0.924	0.937	0.788
Special treatment benefits	0.934	0.938	0.754
Functional quality	0.926	0.932	0.733
Technical quality	0.930	0.934	0.826
Relationship quality	0.920	0.925	0.674
Word of mouth	0.936	0.940	0.838

Table IV.
Results

Hypotheses	β	CR	Results
H1 Confidence benefits → Functional quality	0.691	18.361	Supported
H2 Special treatment benefits → Functional quality	-0.066	-2.056	Supported
H3 Social benefits → Functional quality	0.279	6.842	Supported
H4 Confidence benefits → Technical quality	0.812	19.566	Supported
H5 Special treatment benefits → Technical quality	-0.146	-4.399	Supported
H6 Social benefits → Technical quality	0.175	4.179	Supported
H7 Confidence benefits → Relationship quality	0.962	23.063	Supported
H8 Special treatment benefits → Relationship quality	0.010	0.343	Not supported
H9 Social benefits → Relationship quality	-0.030	-0.834	Not supported
H10 Functional quality → Word of mouth	0.222	2.525	Supported
H11 Technical quality → Word of mouth	-0.038	-0.388	Not supported
H12 Relationship quality → Word of mouth	0.946	11.417	Supported

Note: CR = Critical ratio

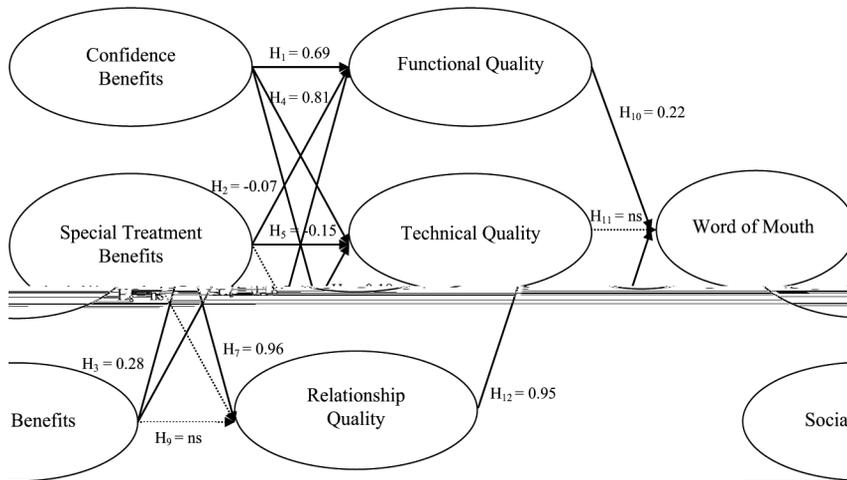


Figure 2.
The final model

are likely lower than providing special treatment benefits, understanding these effects represents a significant advantage for managers.

A closer examination of the findings of this study indicates that confidence benefits have a larger effect on functional and technical quality than social benefits. It would seem that managers wanting to increase quality perceptions would benefit more from enhancing confidence than social benefits. This may be because confidence benefits are more cognitively oriented serving to diminish risk associated with the purchase and help the customer frame their service expectations. Social benefits, on the other hand, tend to be more emotional referring to personal recognition and familiarity, which are not quite as important in driving quality perceptions.

Focusing on the effect of relationship benefits on perceptions of relationship quality, a similar pattern emerges in so far as confidence benefits are the key driver of relationship quality perceptions. Managerially, these findings highlight the critical role confidence benefits play in driving perceptions of service and relationship quality. Firms should thus pay careful attention to providing customers with these types of benefits as a basis of their relationship marketing activities. Social benefits are also important in terms of driving service quality perceptions and should also be a part of any relationship building activity if the goal is to increase service quality perceptions. Special treatment benefits on the other hand do not appear to be useful in creating quality perceptions; rather these benefits serve to reduce the customer perception of functional and technical quality and do not have an effect on relationship quality. Managers would be wise to focus their attention away from special treatment benefits.

Word-of-mouth is arguably one of the most important factors in the success of service firms. The ability to identify predictors of WOM behavior is of great important to service providers. Our study specially examined this issue to identify the effect of relationship benefits on perceptions of service and relationship quality and the subsequent impact of these constructs on WOM behavior. The findings clearly show that improving functional service quality or how the service is delivered has an impact on WOM behavior. Somewhat surprisingly, technical quality does not seem to be a driver of WOM behavior. This may be because technical quality relates more to the

intangible and difficult to assess components of service provision where as functional quality or the way in which the service is delivered is much easier for consumers to evaluate and thus comment on and make recommendations on. For example, customers would find it much easier to comment on whether a medical service ran on time than on the expertise and qualification of their medical practitioner. While functional quality influences WOM behavior it is relationship quality that has the largest effect on such behavior. It would seem that the more committed both parties are to the relationship, the more trustworthy a provider is in the eyes of the customer. As such, the more positive the customer's feelings are towards the provider and the service received, the more likely the customer is to engage in positive WOM behavior. Interestingly, both functional and relationship quality reflect the "softer" more emotive aspects of service provision and these factors play an important role in generating WOM behavior, a bit more so for relationship quality. Technical quality on the other hand which reflects the "harder" more objective side of service provision does not appear to influence the customer's intentions to encourage, recommend or say positive things about the service provider.

Limitations and future research

The cross sectional design of this study served to assist in understanding the impact of relationship benefits on service and relationship quality, and ultimately the impact of quality on WOM behavior. We acknowledge that the nature of these constructs and their relationships may be dynamic and thus studying how WOM develops over time would make an important contribution to theory. Our study is limited to the investigated constructs for parsimony and we encourage researchers to investigate the effect of other constructs on WOM behavior. Another future direction for research would be to examine service level differences in word-of-mouth behavior. In the present study we examined our research hypotheses across nine different service industries; however, we do not specially examine differences in word-of-mouth between service types. Future research could similarly examine moderation effects on the relationship between key constructs and in particular WOM behavior. The effect of customer demographics such as age, gender, and income, relationship characteristics such as duration, frequency of contact, and service type effects, novice versus experienced customers (e.g. Dagger and Sweeney, 2007) would be a worthwhile avenue for research.

Note

1. A model was tested where relationship quality was conceptualized as a second order factor and the results were substantively the same as when relationship quality was conceptualized as a first order construct.

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Appendix

Construct	Scale items
Confidence benefits	I have more confidence the service will be performed correctly I have less anxiety when I buy the service I know what to expect when I go in
Social benefits	I get the service provider's highest level of service I am recognized by certain employees of the service provider I am familiar with the employee(s) who perform(s) the service I have developed a friendship with the service provider The service provider knows my name
Special treatment benefits	I get discounts or special deals that most customers do not get I get better prices than most customers The service provider does services for me that they don't do for most customers I am placed higher on the priority list when there is a line or queue for this service I get faster service than most customers
Functional quality	The service provider is courteous The service provider is willing to help me The service provider gives me personal attention The service provider gives me prompt service The service provider gives me individual attention
Technical quality	The service provider has the knowledge to answer my questions The service provider knows what they are talking about The service provider carries out their tasks competently
Relationship quality	Overall I am satisfied with this service provider My feelings toward this service provider are very positive This service provider can be trusted This service provider is trustworthy My relationship with the service provider is something I am very committed to I believe the service provider and I are both committed to the relationship
Word of mouth	I say positive things about the service provider to other people I recommend the service provider to someone who seeks my advice I encourage friends and relatives to do business with the service provider

Table AI.

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