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The Quality Double Whammy

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Abstract

This research focuses on how consumers perceive the quality level of a complex stimulus (in our case, a service encounter) and how this perception affects consumers' overall assessment of the quality level of the firm. As such, it should be of interest to consumer behavior theorists as well as to those involved in marketing management issues. We start our presentation by developing a normative Bayesian data integration and updating model somewhat similar to that put forth by Rust et al. (1999). The major constructs of interest in this model are the person's belief about the overall service quality level of a firm and what will happen on the next service encounter. Two major results following from this baseline normative model are that the updated means of these two beliefs are identical to the dynamic updating equations put forth by Boulding et al. (1993), and that an underlying assumption of this model is that consumers form unbiased perceptions of the complex stimulus. Next, based on substantial empirical evidence from the behavioral literature, we incorporate into this baseline model a process by which consumers form nonrandom perceptions. Specifically, we postulate that a person's perception of a complex service encounter is a blend of the objective dimensions of the service encounter and the person's prior overall belief about the quality level of the firm. The relative weights placed on these two factors are determined at least in part by the experience level of the customer and the complexity of the service encounter. We then use this expanded model to compare and test different models of service quality and provide deeper insights into the process by which consumers form perceptions of both

the service transaction and the overall service quality level of a firm.

We test this model using data from two different experiments. In each experiment we manipulate the service provided and the person's initial *will* and *should expectations*. Using both obtrusive and unobtrusive measures of the underlying constructs of our model, we employ multiple tests to determine the veracity of our expanded model relative to the baseline model. These tests support the expanded model specification. As found previously, and as predicted by a Bayesian updating process, consumers' prior beliefs influence their cumulative overall opinion of service quality (e.g., Anderson and Sullivan 1993, Bolton and Drew 1991, Boulding et al. 1993, Rust et al. 1999). Perhaps more importantly, these prior beliefs also influence their perceptions of the data themselves, which in turn affect their new (updated) overall opinion. These two different influences of prior beliefs on cumulative evaluations of quality constitute the "double whammy" referred to in the title.

This double whammy effect has major managerial significance. Specifically, we see from our model development that all activities of a firm will be perceived in light of a person's prior beliefs and that these priors will be double counted relative to our baseline model. Thus, any marketing action taken by a firm will be perceived more positively or negatively depending on the person's prior belief about the quality level of the firm. As such, our model provides a formal explanation for the notion of brand equity as "differential leverage" in marketing activities as proposed by Keller (1993).

(Service Quality; Bayesian Updating; Consumer Behavior; Confirmatory Bias; Brand Equity)