

A Review of Research on Consumer Perceived Value

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Abstract: Perceived value is an important factor influencing consumers' purchasing behavior, and academics and business managers are paying more attention to the study of consumers' perceived value. Enterprise profits come from consumers' purchases of products or services, and increasing the probability of consumers purchasing the enterprise's products or services can increase the enterprise's market share, thus enhancing the enterprise's competitive edge. Enterprises are the main body of value creation of products or services, and consumers are the main body of value perception of products or services. Consumer perception of product value will have a direct impact on consumer purchasing behavior, but consumers are not able to identify all the value created by the enterprise. On the one hand, it is the asymmetry of information, on the other hand, the perceived value is characterized by subjectivity, and consumers will be affected by their own internal and external factors, therefore, strengthening the management of consumer perceived value is an important work in the enterprise operation. By combing the relevant literature on perceived value, this paper reviews the origin of the idea of consumer perceived value, summarizes the connotation and characteristics of perceived value, and provides a relevant review of the current status of research. On this basis, it puts forward relevant suggestions on consumer value management from the aspects of improving consumer perceived benefits and reducing consumer perceived costs.

1. Introduction

With the acceleration of the development process of economic globalization, trade between countries is becoming more and more frequent, which brings opportunities as well as challenges to the development of modern enterprises. From the perspective of enterprise managers, meeting consumer demand for products or services and increasing the probability of consumer transactions are important means for enterprises to increase their market share. Existing research shows that consumers' purchasing behavior is influenced by a variety of factors, such as product price, product quality, after-sales service, consumers' personal preferences, and consumers' perceived value.

Since the 1990s, consumer perceived value has become a hotspot of concern for academics and business operators, and a consensus has been reached that creating and providing good perceived value for consumers is an important way for enterprises to improve their competitive edge. Many scholars have conducted systematic research on the theory of consumer perceived value based on both qualitative and quantitative studies, and preliminary results have been achieved. However, in terms of theoretical research, scholars have not formed a unified understanding of the concept of

perceived value. In terms of practical research, consumer behavior has the characteristics of the times, and the research on the theory of consumer perceived value needs to be combined with social hotspots and continuously enriched and improved through practice. Therefore, based on combing the existing literature, this paper summarizes the theoretical origin of consumer perceived value, the definition of consumer perceived value, and the characteristics of perceived value. Finally, it puts forward relevant suggestions on the management of perceived value from the aspects of improving consumers' perceived benefits and reducing consumers' perceived costs.

2. The Origins of Consumer Perceived Value

The idea of consumer perceived value originated in the 1950's. In 1954, Drucker, the father of modern management, pointed out in his book "Management Practice" that what consumers buy is not products or services, but value. Meanwhile, Drucker suggested that consumer value has an important impact on the performance of enterprises. In 1954, the father of value engineering, Myers, based on his practical experience of working in General Motors, published "Value Analysis". According to Myers, consumers buy a product based on the function of the product, the product should meet the functional needs of consumers. At the same time, Myers pointed out that in the production and operation of the enterprise, the cost of the product should be considered, and the function and cost of the product have a direct connection with the value. Drucker's and Myers' ideas about value are seen as the source of consumer-perceived value. In 1985, Porter pointed out in "Competitive Edge" that value is what a customer is willing to pay for a product or service provided by a company. According to the theory of "buyer's value chain", improving competitive edge is the hotspot of business managers. Value is created for the buyer when a company enhances the buyer's purchasing utility or reduces the buyer's transaction costs. The value created by the firm for the buyer must be recognized by the buyer if it is in the form of a premium. In Competitive Edge, although Porter did not explicitly put forward the definition of consumer-perceived value, the idea that enterprises create value to be recognized by the buyer lays the foundation for the development of consumer-perceived value theory.

3. The Concept of Consumer Perceived Value

At present, scholars have conducted a large number of studies on consumer perceived value, but due to the differences in research objects, fields, methods, etc., the cognition of consumer perceived value is also characterized by diversity, so there is no unified concept of consumer perceived value. By reviewing and summarizing the definition of consumer perceived value, this paper will discuss the development history of perceived value from three aspects: the trade-off perspective, the multi-factor perspective, and the comprehensive evaluation perspective.

3.1 The trade-off perspective

Regarding the trade-off perspective of perceived value, related studies mainly focus on the trade-off between product quality and price[1]. Zeithaml argues that there are differences in the focus of different consumers on the value factors of a product or service, which can be categorized into focusing on the price factor, focusing on the contrast between quality and price, and focusing on the trade-off between "benefit" and "loss"[2]. According to Zeithaml, the value of a product or service is created by the firm, the consumer's evaluation of the value of the product or service is not determined by the firm, but determined by the consumer. Perceived value is the trade-off between the perceived benefits and the costs incurred by the consumer in purchasing a product or service, and is used as a basis for judging the overall evaluation of the utility of the product or service.

The concept of perceived value, developed by scholars such as Zeithaml, points the way for the development of the theory along scientific, concrete, and operationalized lines, providing new methods and tools to guide the practice of enterprise management. The trade-off view forms two mainstream classifications, with the difference method represented by Kotler and the ratio method represented by Dahai Dong^[3-4]. Kotler believes that the consumer delivered value is the difference between the total value that the consumer obtains and the total cost paid when purchasing a certain product or service, the delivered value is equal to the total value of the purchase minus the total cost of the purchase^[3]. At the same time, to facilitate the measurement of the total purchase value and total purchase cost, Kotler refined it, and divided the total purchase value into four aspects, such as product value, service value, employee value, and image value; and divided the total purchase cost into four aspects, such as time cost, mental cost, physical cost and monetary cost. The transitional value model has become one of the most important models in consumer value research, and the consumer transition value model is shown in Figure 1:

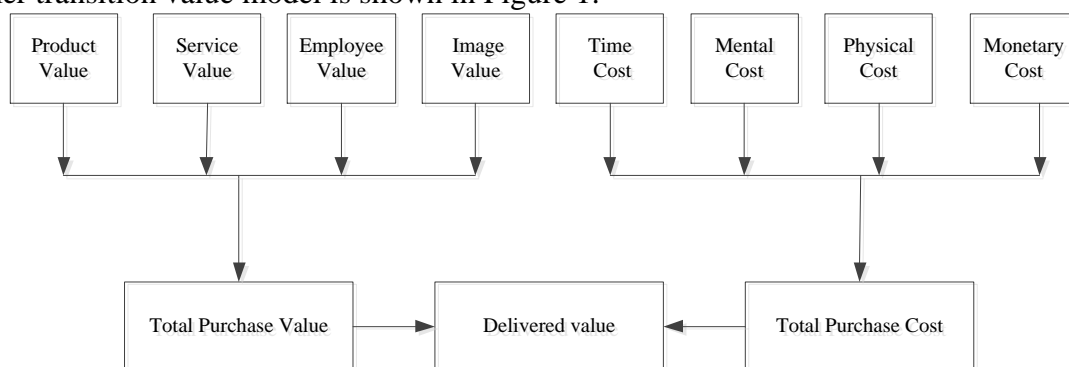


Figure 1: Kotler's customer delivered value

Kotler's customer delivered value, although perfecting the measurement of perceived value, has certain limitations. When the total purchase value equals the total purchase cost, the delivered value is "zero". If the "zero" of delivered value is interpreted as "no value", it is not persuasive in explaining consumer purchasing behavior.

Based on the relevant theories of economics, Dahai Dong et al. introduced utility into the field of perceived value^[4]. They believed that consumer perceived value is the comparison between the utility gained and the cost paid by consumers in the process of purchasing and using a product, and proposed the model of perceived value, $V=U/C$, U is consumer utility; C is consumer cost; and V is the consumer perceived value. By evaluating the consumer perceived value in the form of ratio, it can effectively reflect the trade-off between the consumer's products and services. In the trade-off perspective, the concept of the perceived cost has also been further developed. Lovelock argues that the perceived monetary price is the price paid by the consumer for obtaining a product or service^[5], and the monetary price is more concrete and easy to measure; the non-monetary price, which is the time cost, information retrieval cost, and psychological cost that the consumer pays to complete the transaction. The non-monetary price is intangible, not easy to measure, and easily ignored by consumers. Therefore, the connotation of perceived cost is added to non-monetary price based on monetary price.

3.2 The multi-factor perspective

As theoretical research deepens and practical applications expand, Numerous researchers, represented by Sheth, have found that limiting consumer perceived value to quality and price alone is too simple and is not conducive to the development of perceived value theory. Scholars believe that the value provided by a product or service is multifactorial, including functional value,

emotional value, social value, and so on. Multi-factor value is measured in line with the characteristics of products that can provide multiple value attributes, so the research on multi-factor perceived value is getting more and more abundant^[6-10].

Sheth, Newman, and Gross studied more than 200 situations in the fields of economics, sociology, psychology, and marketing, involving consumers' perceptions of product types (product type A or product type B), brands (brand A or brand B), etc., and proposed a more widely applicable theory model of perceived value, called the Sheth-Newman-Gross consumer value model, as shown in Figure 2. In this model, scholars treat consumer purchasing behavior as a function of "consumer value" in multiple dimensions, and these dimensions have certain differences in their effects on perceived value in different scenarios^[11].

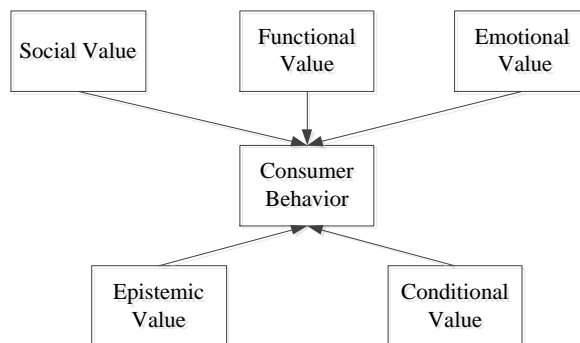


Figure 2: Sheth-Newman-Gross consumer value model

For the multi-dimensional perception of value, the consumer value model proposed by Sheth et al. can effectively measure consumers' demand for the diverse functions of products, and at the same time, it has good universality in different fields, laying the foundation for the development of multi-factor perceived value. Kantamneni used interviews to explore the dimensions of perceived value, including 21 indicators such as product attribute safety, reliability, and scarcity, and conducted data collection, using principal component analysis, perceived value is divided into four dimensions: social value, experiential value, functional value and market value^[12]. Based on Sheth's research, Sweeney and Soutar applied the consumer perceived value model to the durable goods industry and believed that consumers perceived value of durable goods is composed of four dimensions: price value, quality value, emotional value, and social value, and defined the four dimensions^[13].

Based on the multidimensional perceived value proposed by scholars, scholars at home and abroad have also focused on applying the relevant theories of multifactor perceived value to different fields and have achieved fruitful research results^[14]. In the research of online shopping behavior, Zongwei Li et al. combined the characteristics of consumers' transaction behavior in the online context, used the massive data of Taobao.com to analyze consumer behavior in three dimensions, including the perceived value of products, the perceived value of services, and perceived value of the society, to find out the main value driving factors affecting Online purchasing behavior, and provide a new way of thinking for the maintenance of online shopping customer relationships^[15]. In the field of daily necessities, Xiaoyan Yang & Yijin Zhou took the consumption concept as the entry point, believe that the individual's green consumption concept affects the delivered value of green products, emphasize the role of green perceived value in multi-dimensional perceived value, and validate through empirical research that the green value is an important dimension constituting the consumer's perceived value^[16]. In the field of traditional manufacturing industry, Haoya Guo, Shumei Xu, et al. took the production of shoes as an example to study the impact of product innovation on consumer willingness and measured the mediating role

of perceived value from three dimensions, such as the perceived value of diversity, perceived emotional value, and perceived cognitive value, etc^[17]. Jindan Zheng & Yanju Yao explored the relationship between perceived value and clothing purchasing behavior, and the results showed that four dimensions: quality value, price value, emotional value, and social value all have a significant positive impact on consumer purchasing behavior^[18]. In the cultural tourism industry, Qiaohui Liu et al. measured the impact of tourists' environmental responsibility behavior from three dimensions of perceived value, including resource value, service value, and experience value^[19]. In terms of online social media, Caixia Chen et al. took the advertising content of virtual images of clothing products posted on social media as an influencing factor, and divided perceived value into image value, entertainment value, social value, and information value, explored the impact of consumer perceived value of virtual images on their willingness to buy.^[20]

In terms of the research perspective of perceived value, the trade-off perspective considers that perceived value includes both "benefits" and "losses". On the other hand, the multifactor view of perceived value is limited to "benefits", which is the essential difference between the multifactor view and the trade-off perspective. In terms of the dimensions of perceived value, the multifactor perspective holds that a product or service does not provide a single dimension of value, but a combination of several values. In terms of the effect of perceived value, although the dimensions of perceived value measurement differ for different products or services, scholars generally agree that perceived value will have an impact on consumer purchasing behavior. In terms of the effect of perceived value measurement, multidimensional perceived value can be combined with specific contextual factors multidimensional perceived value measurement contains more specific and comprehensive types of value, to a certain extent, better than one-dimensional perceived value. The main difference is that in different contexts, different types of value have different strengths and weaknesses of impact. At present, the scope of application of multifactor perceived value is more common in academic and business circles, and there are more related research results.

3.3 The Integrated value perspective

The Integrated value perspective regards consumer perceived value as an organic whole. The integrated value perspective defines consumer perceived value based on the trade-off perspective and the multi-factor perspective, taking into account factors such as the purchase context, consumer preferences, and differentiated needs. For example, Flint et al believe that perceived value is the consumer's perception of the product's attributes, the performance of the attributes, and the results of using the product in specific situations to help achieve their goals and intentions^[21]. Sweeney et al. define consumer-perceived value as the consumer's overall evaluation of the various benefits that the consumer receives through the product or service purchased^[13]. Zhonglong Wei et al. argue that before purchasing a product or service, consumers first assess the value of the product or service before comparing other factors such as price, interpreting consumer perceived value as a subjective evaluation of the combined value of a product's performance, quality, service and cost^[22].

4. The Characteristics of Consumer Perceived Value

(1) Situational and hierarchical. The most widely used research on the hierarchy of consumer perceived value is the value hierarchy model proposed by Woodruff, which is based on the cognitive logic of information processing, combined with the "goal-pathway chain" theory, as shown in Figure 3^[23]. The model believes that the consumer perceived value is affected by situational factors, includes situational factors in the field of perceived value, and at the same time divides the relationship between the product and the consumer value into three levels: attribute level, outcome level, and goal level. When the usage scenario changes, the connection between product

attributes, results, and goals will change accordingly. From the perspective of the consumer value hierarchy model, consumers satisfy low-level needs before pursuing high-level needs; meanwhile, high-level needs have a counter effect on low-level needs. Firstly, during the transaction process, consumers are centered on their personal needs and will consider the specific attributes of the product as well as its functions. Second, expectations are formed about the ability of the attributes of the product or service to achieve the desired outcome. Finally, consumers will determine the weighting of the different levels of the product in different use situations based on their goals. When the situation changes, the consumer perception also changes. For example, when consumers use the Internet for entertainment and online learning activities, their perceived value is different.

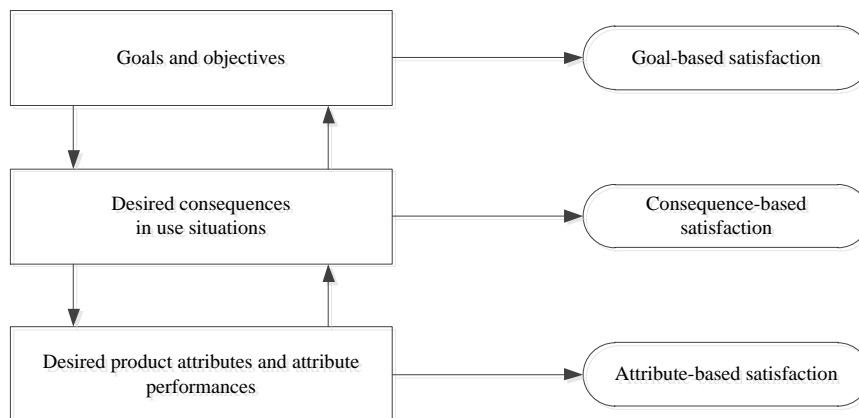


Figure 3: Consumer value hierarchy model

Parasueaman put forward his view based on the study of Woodruff's value hierarchy model^[24], in which he categorized consumers into four types such as first time buyers, short term buyers, long term buyers, and churned customers, in terms of the time of their purchase. Consumer purchase time and frequency affect the evaluation criteria of consumer value. For example, new customers are more concerned with the attribute level for their first purchase, and short-term and long-term consumers are more focused on the outcome level and goal level. Long Yang and Yonggui Wang proposed a dynamic hierarchy model based on the consumer pyramid theory, which argues that the dynamic hierarchy exhibited by consumer perceptions in different market segments over time^[25].

(2) Subjectivity. Subjectivity means that the perceived value of the same product or service varies from consumer to consumer. Consumers are the main source of perceived value, but due to their own knowledge and cognitive factors, they cannot clearly understand the actual value of the product. When measuring the value of a product, some consumers often only focus on the price of the product and ignore the costs of logistics and maintenance. External stimuli such as marketing activities and industry policies can also affect consumer perceived value. For example, for new products on the market, consumers with a higher sense of innovation are willing to try new products and technologies and enjoy the satisfaction of using new products, so the perceived value of the product is high. For consumers with a lower sense of innovation, when purchasing innovative products, they may view the product from a risk perspective, worrying about the safety of the product, the complexity of operation, etc., so the perceived value of the product is low.

(3) Dynamism. Consumer perceived value is not static but will change with the passage of time, technological innovation, and changes in consumer income. At the same time, the subjectivity of consumer perceived value to a certain extent also determines the perceived value is dynamic change. Grewal & Parasuraman believe that consumer perceived value is non-static^[26]. For example, consumers buy cars to solve the need for traveling with limited financial ability, focusing on the functional value of the product. As the product is updated and the consumer's income increases, the

consumer will consider the social value of the product representing status and the emotional value of the preference for the automobile brand. Therefore, for the same product, when the context changes, the consumer perceived value will be different.

(4) Multidimensionality. Research on perceived value in the business and academic communities has consistently shown that consumer perceived value is a multidimensional concept^[27]. Holbrook & Hirschman proposed in their study that consumers pay attention to the functional needs of the product, but it cannot be ignored that the experience value of the purchasing process, such as the sense of pleasure, the sense of experience, and the sense of acquisition, will also have an impact on the consumer's psychological perception^[28]. The value of the experience can also have an impact on the psychological perception of the consumer. Based on the trade-off perspective, the dimensions of perceived value can be subdivided from the dimensions of "benefit" and "loss". Based on the multi-factor perspective, perceived value can be divided into functional value, emotional value, green value, and other multi-dimensional values from the perspective of a single "benefit". For example, early research on consumer perceived value focused on the functional value of products or services, but in the process of creating and transmitting consumer perceived value, relying only on functional value is not able to maintain the competitive edge of enterprises in the long term. The public's emotional needs for products, the importance attached to the green and environmental value of products, and the consumer experience in the process of human-computer interaction have gradually become hot topics of research, and the dimensions of consumer perceived value are also becoming increasingly rich.

5. Consumer Perceived Value Management

Consumer perceived value is the source of competitive edge for enterprises^[29-30]. From the perspective of business management, managing consumer perceived value is beneficial for enterprises to adjust the supply of products and services promptly according to changes in consumer demand. It is also beneficial for improving consumer satisfaction, loyalty, trust, etc., thereby helping enterprises maintain a competitive edge in the market. Specifically, enterprises can improve their competitive edge by managing consumer perceived value through two aspects: increasing consumer perceived benefit and reducing consumer perceived cost.

(1) Enhancing consumer perceived benefit. Early research on perceived value has taken enhancing the value of product attributes as an important way to increase consumer perceived value. Actual business management and empirical studies have shown that service is also an important factor influencing consumer purchasing behavior. Increasing consumer perceived benefits means that products and services need to meet consumer needs. At the same time, with the rapid development of Internet technology and artificial intelligence, consumer needs are becoming more diverse and personalized. Companies need to reposition and redesign their products and services to meet consumer functional needs while also exploring consumers' potential expectations for products and actively developing expectations that consumers are not aware of, to achieve the effect of increasing consumer perceived benefits.

(2) Reducing consumer perceived cost. In existing research, most scholars focus on increasing the value of products or services to increase the perceived value of consumers. However, reducing the perceived cost of consumers is also an excellent way to increase consumer value when the consumer perceived benefit remains unchanged. To reduce the perceived cost to the consumer, companies must fully understand the consumer value chain and reduce the cost of purchasing and using the product. Many scholars believe that monetary cost is an important factor affecting consumer purchasing behavior. With the transparency of market information and the homogenization of products or services, consumers are more sensitive to monetary costs. At the

same time, with the improvement of consumers' living standards, consumers' expectations of products are also increasing, and the impact of non-monetary costs on consumer perceived costs is gradually becoming more prominent. For enterprises, reducing the search costs of consumers in the process of purchasing products through online word-of-mouth and advertising; considering the learning costs in the process of using products in the development of new products, improving the ease of use; In the promotion of new products, consumer experience, and free trials can be used to understand consumer perceptions of the product. In the after-sales maintenance of products, convenient on-site services can be provided to reduce consumer perception costs.

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