

Utilitarian and hedonic values on retail store loyalty



**ASSIGN
BUSTER**

CHAPTER 1

INTRODUCTION

Store loyalty is of interest because it describes a consistency of commercial behaviour that is likely to be advantageous to retailers. In the increasingly competitive environment faced by today's retailers, the pursuit of customer loyalty is paramount. In order to be competitive, retailers must identify the key antecedents to customer loyalty and the relationships between the benefits delivered to the consumer and important outcomes. Patrons with high loyalty may be the object of strategies designed to retain their custom, while those with low loyalty may be persuaded to give more of their spending to a store by use of appropriate promotions in way of increased store image and perceived value. It can be said that marketing strategy has its base on store loyalty behavior of consumers in rapidly changing environment of distribution industry. A change in market environment can lead to a change in store loyalty. Thus, it is necessary to figure out factors affecting store loyalty to understand such a change. UK retail sector currently is undergoing a transition in its way of operation. The industry suddenly seems to have opened up and many players, both domestic and international, have identified huge potential associated in the industry. Liverpool too have taken to the supermarket style of shopping very eagerly, current scenario shows that a lot of competitive private players are entering the market - both domestic and international. Hence at this point of time it is of the utmost interest of retailers to identify the factors affecting store loyalty and effectively use for their benefit.

2. 2. Theoretical relevance

Loyalty is an extensive and unclear term with many meanings. The origin of store loyalty can be found in the literatures as noted.

- The first theory was specified by Charlton (1973) but drawing on earlier work (Enis and Paul, 1970; Tate 1961) – is that store loyalty is essentially negative and is the outcome of limited resources; those who lack money, time and transport, or whose environment lacks choice (Tate, 1961) are forced to use one store much of the time and are therefore obliged to be loyal.
- A second approach (Carman, 1970) is also negative but emphasizes a lifestyle with commitments outside the home including work, little home entertaining and lack of interest in deals, advertising and shopping. Such people neither are averse to shopping and do not experiment; Carman described them as ‘non – shoppers’ and argued that they were loyal by default to both brands and stores.
- A third approach is found in a paper by Dunn and Wrigley (1984), who noted that the growth in the size of supermarkets in many countries could have affected patterns of behaviour. Dunn and Wrigley found that some store loyalty across as one stop shopping, often in large comprehensive supermarkets; we call this discretionary store loyalty. It differs from the first theory because it implies that the possession of appropriate resources raises store loyalty.

Despite the difficulty to accomplish a general definition, Reynolds et al.

(1974 – 75) have stated one that is well accepted within the area; “

<https://assignbuster.com/utilitarian-and-hedonic-values-on-retail-store-loyalty/>

Customer loyalty is viewed as the tendency for a person to continue over time to exhibit similar behaviour in situations similar to those he has previously encountered, e. g. to continue purchase the same brands and product in the same store each time he needs or wants an identical or similar item.” (Reynolds et al, 1974 – 75, p 75)

2. 3. The aim of the study

This study aims to provide an explanation on two antecedents – the Retail Store Image and Utilitarian and Hedonic value and their impact on enhancing customer Store Loyalty. The study examines whether these variables (constructs) has a positive effect on store attitude and behaviour loyalty among supermarket retailers. However, the study is not to focus in depth on the antecedents as separate perspective but more of a broad focus as to how these tools can be used to influence customer store loyalty.

2. 4 The research perspective

The perspective of this study is from the customer’s view. It is the customer’s evaluation of the store image and the perceived value and the linkages with customer loyalty that in focus. The questionnaire that has used in this study is built up from well known researchers’ work that all focus on the customer perspective. Though in the introduction some management perspectives have been discussed, the empirical investigation of this study is strictly limited to customer’s perspective. However, drawing conclusions using a customer’s perspective will help the management in understanding the issues to be considered in order to understand customer’s behaviour and attitude.

CHAPTER 2

2. 1 Introduction

In the current business environment a confluence of market forces has created an extremely complex climate in the global retail industry. In mature markets, retail sector is challenged by its inability to grow and maintain profit margins as a result of a constrained operating environment, market maturity & saturation, slow population growth, and more demanding consumers as well as highly volatile consumer behaviour. Apart from these there are concerns of rising competitive pressures, transformation of alternative sales channels- including stores, web, call centres and services to the home a blurring of roles between suppliers and retailers.(Financial Times)

Also, as consumers have become empowered through access to information, wherever and whenever they want it, retailers have become more relevant to the consumer at the point of purchase and hence a shift in the balance of power to the retailers. As an outcome, the strategic focus of the entire retail sector is moving towards the emerging economies of Asia and Central & Eastern Europe- China and India in particular. These economies offer expanding consumer markets with new opportunities for growth through global sourcing, off-shoring and the huge potential for development of modern/ organized retailing. Consumer affluence, another important determinant, is on the rise. (Retail Express)

2. 2 Hedonic and utilitarian concepts

Hedonic and utilitarian concepts have been addressed in various disciplines such as sociology, psychology and economics Spangenberg, Voss et al

<https://assignbuster.com/utilitarian-and-hedonic-values-on-retail-store-loyalty/>

(1997), Voss, Spangenberg et al(2003). There are two dimensions to the conceptualization of consumer attitudes, aspects

Resulting from sensations derived from the experience of using a product (Hedonism) and features derived from functions performed by a product(utilitarianism) Spangenberg, Voss et al. (1997 and 2003). According to Batra and Ahtola,(1991) there is some evidence that there are two aspects of product performance predictions that interest consumers-hedonic and utilitarian. According to Dhar and Wertenbrach (2000) consumers' choice is driven by utilitarian and hedonic dimensions. In their study, Babin, Darden, and Griffin (1994) applied the hedonic and utilitarian consumer behaviour to a shopping environment and distinguished between shopping as work (utilitarian) and shopping as fun (hedonic). They acknowledge that some consumers strive for utilitarian shopping value resulting from a conscious aim at intended outcomes, while others strive for hedonic shopping value emerging from emotional reward in terms of pleasure.

This study suggest that satisfaction should be viewed as an evaluation process or a response to an evaluation process. Consumers think of satisfaction as a goal to be obtained from the purchase and use of products and services; therefore, a satisfactory purchase represents an achievement. The current study views satisfaction as a response to an evaluation process; more specifically, satisfaction is viewed as the result of the consumer's evaluation of thevalue derived from the shopping experience. The findings of extant studies on shoppingvalue and satisfaction provide support for linkingutilitarian shoppingvalue and hedonic shoppingvalue to satisfaction

This study suggesting that the shopping experiences providing consumers with a combination of utilitarian and hedonic shopping values. Consumers perceive utilitarian value by acquiring the product that

necessitated the shopping trip while simultaneously perceiving hedonic value associated with the enjoyment of the shopping experience itself.

Consumers seek utilitarian value in a task-oriented, rational manner

Blackwell et al.,(2000). Holbrook and Hirschman (1982) classified this

behavior as shopping with a work mentality. Utilitarian value is therefore tied to the information-processing paradigm within consumer behaviour research

Blackwell et al.,(2000). In contrast, hedonic value derived from the shopping experience reflects the emotional or psychological worth of the purchase.

Sources of hedonic value could include the joy and/or the excitement of shopping, or the escape from everyday activities that is provided by the

experience. Therefore, hedonic value is more personal and subjective than utilitarian value and is often the result of fun and playfulness Holbrook and

Hirschman, (1982). Hedonic value represents the experiential paradigm within consumer behavior research Blackwell et al., (2000).

Several researchers have demonstrated that both utilitarian and hedonic value can be provided by the retailer during the shopping experience Belk,

(1979); Fischer and Arnold, (1990); Sherry,(1990). For example, a consumer might be successful at finding the product that motivated the shopping trip

at the first store visited and might also find that the product is being offered at a special sale price. Utilitarian value would then be derived from the

consumer's success at quickly finding the product they needed, and hedonic value would be created by the excitement associated with the special sale

<https://assignbuster.com/utilitarian-and-hedonic-values-on-retail-store-loyalty/>

price. However, Triandis (1977) notes that a high level of one type of value does not preclude a high level of the other, and vice versa

Research has demonstrated links between shopping value and important business outcomes including satisfaction, word of mouth communication, intentions, and loyalty (e. g., Babin et al., 2005; Jones et al., 2006).

Specifically, utilitarian shopping value has been shown to positively influence repatronage intentions and loyalty, while negatively influencing repatronage anticipation (Jones et al., 2006). Hedonic shopping value has demonstrated a positive influence on word of mouth communication, loyalty, and repatronage anticipation, but does not appear to impact repatronage intentions (Jones et al., 2006). As compared to utilitarian shopping value, hedonic value appears to have a stronger impact on word of mouth communication, but the two types of shopping value have an equal effect on loyalty. Lastly, utilitarian value has also demonstrated a stronger influence than hedonic value in terms of repatronage intentions (Jones et al., 2006).

The fact that shopping involves both hedonic and utilitarian dimensions is fairly supported in the marketing literature. It first appeared in the work of Bellenger et al. (1977) who identified two segments of malls' patrons on behalf of their patronage motives: the recreational and the economic shoppers. The same typology was later used to explain the customers' attitudes derived from products (Batra and Ahtola, 1990). Eventually, Babin et al. (1994) created the Personal Shopping Value scale used in the present study. Stating indeed that customers evaluate the costs and benefits encountered to determine jointly the hedonic and utilitarian value of a shopping trip. Using the hedonic and utilitarian value has been proven successful to explain various

<https://assignbuster.com/utilitarian-and-hedonic-values-on-retail-store-loyalty/>

shopping behaviours (Arnold and Reynolds, 2003; Babin et al., 2005; Haytko and Baker, 2004; Kaltcheva and Weitz, 2006; Michon and Chebat, 2004; Roy, 1994; Sit et al., 2003; Stoe et al., 2004). Because of problematic sameness in the industry, malls' tenants have to find away to differentiate if they want to stay competitive. And yet, the modification of physical environment and retail mix around a coherent theme might be used by practitioners to suggest distinctiveness from competitors (Baker et al., 1994; Bitner, 1992; Donovan et al., 1994; Wakefield and Baker, 1998). Indeed, mall specific orientations often result in exploiting either hedonic or utilitarian cues in the retail strategy. On one hand, improving the hedonic value of the mall can be achieved through movie theatres, a restaurants, decoration, animation and featured sensorial experiences. On the other hand, increasing the utilitarian value is the result of helping customers to accomplish their shopping tasks. Therefore, providing a relevant mix of stores aligned with the mall's retail proposal should be tenants' main aim. At the same time, others considerations such as convenient store hours and good accessibility must be offered.

2.3 Customers' attributions

This study assumes that customers patronize super markets on behalf of their expectancy of achieving a favourable shopping experience. Therefore, through positive disconfirmation Oliver (1997), if a mall differentiates itself from competitors by providing good hedonic and utilitarian values, it should receive well evaluation from its clients. Customers' attributions have been used effectively in marketing to explain how thinking and emotions influence evaluation Swanson and Kelley (1992). In other words, they explicate why <https://assignbuster.com/utilitarian-and-hedonic-values-on-retail-store-loyalty/>

the customer experienced a particular emotional state and at the same time, justify the associate outcome. As well, experienced emotions were suggested to be related with store preference and choice behaviour Dawson (1990), Therefore, our study adapts the attribution framework presented in Weiner (1992) using the sequence: attribution → affects → attitude. It is worth mentioning that the measured shopping emotions were positive and negative in order to capture a broad spectrum of possible experiences Westbrook (1987). Consequently, we propose:

2. 4 Store Loyalty

Store loyalty indicates the differential advantage or the monopoly power of a store. Retailers should be aware about the loyalty of their store for developing better retail strategies to increase or maintain satisfactory level of sale. Retailers should be competitive in offering loyalty schemes to their customers. Store loyalty is the single most important factor in retail marketing success and store longevity. Without loyalty towards the retail organisation, the competitive advantage for which retail management is striving does not exist and the store is likely to be unsuccessful. Store loyalty is a function of customer satisfaction with the retail store. Several factors underlie customer satisfaction and any one or any combination of them can result in store loyalty , the degree of loyalty is based on the following things the total volume purchased in the store, the frequency with which the store has been visited, the number of store visited before the customer goes back to the store, the proportion of total purchases that has taken in that store, whether the customer go back to the store, whether the customers would recommend it to their friends, to what extent the individual is willing to go

back to the same store whenever the need arises. If the store primary a major product line shop selling items such as groceries or clothing, the total volume purchased in the store or the proportion of total purchases that took place in that store may be the best criteria for assessing store loyalty. Levy and Weitz,(2004)

Store loyalty exists when consumers habitually visit the same store because they are satisfied with the shopping experience and product on offer. Store loyalty may be enhanced by selecting the right location, offering good merchandise selection, creating the right sales ambience or atmosphere, promoting goods intelligently, providing optimum service standards and rewarding frequent customers through loyalty Schemes behavioural definition of store loyalty is a tendency of consumers to purchase repetitively in a period of time and it can be operationally defined and measured as purchase ratio as repetitive purchase behaviour purchase frequency. By using these definitions, it can be objectively measured and has an advantage of distinguishing store loyalty for various stores. But it has limitations that researchers can easily use subjective judgements and that it is hard to explain how the store loyalty is formed and why it changes.(Omar, 1999)

2. 5 Relationship between utilitarian and hedonic values on loyalty

Mathwick, Malhotra, and Rigdon (2001) assess the value dimensions as antecedents of attitudinal loyalty implying that both hedonic as well as utilitarian aspects influences attitudinal loyalty positively. Carpenter and Fairhurst (2005), In their study says the continued fulfilment of promises usually leads to a long-term, profitable relationship between the retailer and the consumer. The retail brand's promises are related to the shopping

<https://assignbuster.com/utilitarian-and-hedonic-values-on-retail-store-loyalty/>

benefits (i. e. utilitarian and hedonic) it offers consumers. These benefits are derived by the consumer with each shopping trip for the brand. The consumer benefit/loyalty framework is developing in the literature. However, previous research has been concerned with aspects of consumer benefits on salesperson, store, and company loyalty. Several researchers have demonstrated that both utilitarian and hedonic value can be provided by the retailer during the shopping experience Belk (1979), Fischer and Arnold (1990), Sherry (1990). For example, a consumer might be successful at finding the product that motivated the shopping trip at the first store visited and might also find that the product is being offered at a special sale price. Utilitarian value would then be derived from the consumer's success at quickly finding the product they needed, and hedonic value would be created by the excitement associated with the special sale price. However, it is notes that a high level of one type of value does not preclude a high level of the other, and vice versa.

In order to generate the best shopping experience, every mall should provide something unique. Behind this simple statement lies an important truth: in today's competitive market, a good location is no longer sufficient to guaranty success. Malls' problematic lack of differentiation in customers' minds is now a well established fact in the industry Baker (1994). In spite of this widely known information, malls often look the same, and offer similar merchandises and services. However, to attract customers, some tenants have addressed the issue of differentiation from competitors by giving their mall a singular orientation. For example, many malls are positioning themselves in part as entertainment centres. Meanwhile, others are

concentrating efforts on particular retail segments such as haute couture or home decoration. The increasing interest in malls' distinctive positioning has heightened the need for a better comprehension of their repercussions on customers.

This study investigates how the pursuit of singular orientations (along the hedonic/utilitarian range) can generate a feeling of attachment to the mall for customers. Generating such special connection with customers is important because it influences their general evaluation of the mall. Moreover, the predicting power of income level regarding customers' responsiveness to different malls' orientations is tested. Those findings open promising avenues for segmentation tools to come.

The study was conducted on 772 respondents who were interviewed in two shopping malls; data were analyzed using structural equation modeling. Significant differences between mall's patrons based on income were observed. Important managerial implications for malls' tenants providing clear guidance in developing new strategies are discussed along with limitations and avenues for future research.

2. 6 Utilitarian value or hedonic value?

loyalty is a deeply held commitment to a specific brand or a particular retailer Oliver (1999) This study suggests a link between hedonic and utilitarian shopping value and store loyalty, Hedonic value should be related to store loyalty because attitude theory suggests a number of affective antecedents including emotions, moods, and primary affects Dick and Basu (1994). People are thought to form positive attitudes toward experiences

which provide psychological rewards Katz, (1960), such as those which may be found in a pleasant shopping experience. Hedonic value should be related to loyalty of a retailer as well because studies in environmental psychology have shown that affective experiences in the store can be important antecedents of approach or avoidance motivations, such as store loyalty.

Retail research has provided empirical support for this Wakefield and Barnes, (1996). Therefore, we should expect hedonic value to be related to loyalty.

Utilitarian value should also be related to loyalty. Consumers perceiving utilitarian value from their shopping experience are likely to have accomplished the shopping “ task” of product acquisition Babin et al., (1994). Hence, these consumers will perceive higher quality from various aspects of the experience and be more likely to exhibit stronger repatronage intentions and loyalty attitudes Dick and Basu, (1994). However, hedonic value is likely to be a stronger influence on loyalty than will utilitarian value.

A higher level of hedonic value is a reflection of shoppers who have experienced increasing levels of emotional “ worth” from the shopping experience. People who experience positive consumption related emotions in a hedonic context are thought to form very strong forms of commitment Hirschman and Holbrook, (1982). This is reflected in research on human relationships, which has shown that the two fundamental aspects of relationship commitment are affect and its hedonic sign and is similar to that which occurs in brand relationships Chaudhuri and Holbrook, (2001) where emotional bonds are created which then play a substantial role in determining constructs such as commitment. It would also appear that the affect-commitment link is particularly likely in a consumption context

characterized by the potential to elicit substantial emotional reaction
<https://assignbuster.com/utilitarian-and-hedonic-values-on-retail-store-loyalty/>

(Wakefield and Baker, 1998). Therefore, it is reasonable to expect that hedonic shopping value will be a stronger driver of loyalty than utilitarian shopping value.

We can say that marketing strategy has its base on store loyalty behaviour of consumers in rapidly changing environment of distribution industry. A change in market environment can lead to a change in store loyalty. Thus, it is necessary to figure out factors affecting store loyalty to understand such a change. Many scholars have recognized store image as one of the most important factors of store loyalty Hirschman (1981) and there is a study that store attributes consisting store image determine store loyalty. A systematic study on store image attributes is rare though its importance.

2. 7 Store image

Store image can have a significant impact on customers' perceived value of the firm, and customers may consume more at the firm because of the increases of perceived value. As competitions in supermarket store industry becoming fierce, a store needs to learn how to differentiate itself from competitors via its store image. This research examines customers' characteristics of the studied supermarket store to find out if the demography variables and life style could affect the store image. Additionally, whether the positive store image can increase customers' perceived value and thus increase their purchase intention is also investigated. Different store image may arise due to customers' different life styles. Nevertheless, demographic variables do not affect store image significantly. Store image has positive and significant effects on both perceived value and purchase intention, and perceived value affects <https://assignbuster.com/utilitarian-and-hedonic-values-on-retail-store-loyalty/>

positively and significantly on purchase intention. The results also indicate that perceived value has a mediating effect on the relationship between store image and purchase intention. Finally, managerial implications and suggestions of future research are also discussed. Omar,(1999)

According to Hildebrandt (1988), major success factor in retail industry is store image and measurement model of store image that conceptualize the perception of store image attributes such as price level is used to forecast marketing performance as business success measure. He analyze the relation between store image and store image attributes using causal relation model and found again that store image is a cause variable of store performance. Explaining the store image emphasizing design part, In the words of Levy and Weitz (1996) Store tell customers with all visible outside factors and real set-up structure of facilities make most of purchase possible. Thus it says, purchases are result from the stimulus of store image to customers. Steenkamp and Wedel (1991) use store image in segmentation of retail markets. They also mention that consideration of store image made an important role in the development of marketing strategies of both individual and chain stores and shopping centres. Mason, Mayor and Ezell (1991) saying that store image is important in the decision to make a purchase. They added that it is important for marketers to know how the consumers feel about the retail shop to develop marketing strategies of retailing to attract them.

Store image has been highlighted as having a multifarious composition comprising nine key attribute categories, namely, merchandise, service, clientele, physical facilities, convenience, promotion, store ambience, <https://assignbuster.com/utilitarian-and-hedonic-values-on-retail-store-loyalty/>

institutional factors as well as post-transaction satisfaction. When Bearden, (1977) examines the relative importance of each store image attribute on consumers' decisions regarding the patronage of downtown versus suburban shopping centres, it is found that out of seven attributes analysed, namely, price level, quality of merchandise, merchandise selection, store ambience, location, parking facilities as well as friendliness of salespeople, only the last four attributes are critical in affecting consumers' preference for downtown or outlying shopping centres. Over the years, the concept of store image has been extended with the development of mega-malls, which house a host of facilities such as food, education, leisure and entertainment in addition to the usual retail shops. Recent studies on shopping centre preference and choice have highlighted the importance of food courts and entertainment facilities in attracting higher levels of patronage Sirpal and Peng (1995) Sirpal, R. and Peng, O. L., 1995. Impact of food courts and other factors on tenants' businesses for a major shopping centre in Singapore. *Property Management* 13 4, pp. 13-20. Full Text via CrossRef ISI. Store image has also been defined from a marketing perspective as a retail marketing mix, which comprises elements such as location, merchandise, store ambience, customer service, price, advertising, personal selling as well as sales incentive programmes Ghosh (1994). In yet another study on store image of regional shopping centres, Burns and Warren (1995) reveal an interesting aspect of consumer psychology. As the tenant mix and product variety tend to be similar in many shopping centres, the consumer's choice of a shopping centre may be affected by his/her need to be unique, that is, the consumer may choose to visit a more distant shopping centre rather than a convenient local store in order to express this need for uniqueness Burns and Warren <https://assignbuster.com/utilitarian-and-hedonic-values-on-retail-store-loyalty/>

(1995). Store managers currently use a measure of store image to assess the value of a store from a shopper's perspective. However, as argued by Chebat (2008), the use of the store image concept does not adequately capture the incremental value of the shop. More specifically, they underscored the notion that, in addition to store image, store awareness should be a central concern in assessing shoppers' perception of store loyalty. That is, store awareness plays an important role in capturing store equity.

2.8 Why utilitarian and hedonic values?

As related to web-based store, this study suggests three aspects of store image that are concerned with consumers' perceptions of web-based store i. e., safety, convenience (utilitarian), and entertainment (hedonic), consumers' reactions to shopping on the WWW and found that consumers were reluctant to reveal personal information and take risks with merchandise and money. Grewal (2003) defined consumers' risk perception in the Internet retailing context. According to his description, a safe store image is the extent to which consumers are not troubled by risk with the products' function, price, and transaction when making a purchase at a web-based store.

The second factor, convenience is the most compelling factor to Internet shoppers. In web-based environments, consumers may visit a store at any time in any place and compare products and prices easily. Thus, generally, consumers perceive that a web-based store will save them time and effort. However, studies reported 31 percent of respondents have negative feelings about merchandise assortment at web-based store and 44 percent of respondents have a hard time finding products in a web-based store. Gilly (2003) revealed the most significant antecedent of positive consumer

<https://assignbuster.com/utilitarian-and-hedonic-values-on-retail-store-loyalty/>

behaviour is website design that serves consumers in finding what they want in an efficient way.

Finally, entertainment(hedonic) the thirdstore image factor is described by consumer's enjoyment upon visiting a web-basedstore when purchasing or searching out products. A survey by Ernst and Young (1998) reported that Internet shopping is more convenient, fun and economical; also it has more choices than shopping through other distribution channels. Todd (1997)Jarvenpaa and Todd, 1997S. L. Jarvenpaa and P. A. Todd, Consumer reactions to electronic shopping on the World Wide Web, International Journal of Electronic Commerce 1 (2) (1997), pp. 59-88. to name the entertainment variable " playfulness," which describes recreational orhedonic shopping activities. A recent study concluded that consumers expect more enjoyment in online environments than they do shopping in brick-and-mortar environments Childers et al (2001). Thus, shopping on the Internet provides cognitive and informational experiences as well as ahedonic consumption experiences Menon and Kahn (2002)

Literature both on brick-and-mortarstore and on