

Relationship of Customer Experience with Product-related and Market-related factors in Food Retailing Outlets

¹Suja Suresh & ²Dr. Krishnaveni Muthiah

¹Research Scholar, Department of Management Studies, PSG Institute of Management, Peelamedu, Coimbatore (India)

²Professor, Department of Management Studies, PSG Institute of Management, Peelamedu, Coimbatore (India)

ARTICLE DETAILS

Article History

Published Online: 07 September 2018

Keywords

Customer experiences, product-related factors, market-related factors. retail patronage, food retailing outlet

*Corresponding Author

Email: ssuja2579[at]gmail.com

ABSTRACT

Customer experience is significant for every retailer as the strength of their business is dependent on the experiences provided for the customers. Experiences are unique as it varies from customer to customer, so the retailers are supposed to understand the nature of the experiences met by their customers. The article is focusing on the relationship of customer experience with product-related and market-related factors at food retailing outlets. The results have highlighted quality, price and assortment as important product-related factors and atmosphere, convenience and fast check-out as important market-related factors in influencing the customer experiences.

1. Introduction

The study of customer experience is related to the study of consumer behavior but mostly relates to purchase behavior. The food retailing is service oriented and gives various types of experiences to the customers. The experiences are the perceptions which the customers develop towards the food retailing outlets. Different retail formats provide different customer experience. The understanding of these experiences is a critical issue for the retailers in the current competitive environment. Shopping for the food products is a stressful activity for certain customers (Fram and Axelrod, 1990), and a particular group of customers associates more stress with grocery shopping's than with other forms of shopping (Aylott and Mitchell, 1999). The food retailing outlets are also changing rapidly with new retail formats and with expansion of new product activities, they have started offering better customer experiences.

The changing atmosphere within the food retailing outlets makes it critical for retailers to better understand their customers (Carpenter and Moore, 2006). This helps in understanding the customer choice with respect to outlet environment and attributes. Previous studies have emphasized the importance of outlets to focus on customer experiences, stating that differentiation strategies based on service, price and quality are no longer sufficient (Pine and Gilmore, 1999). The researchers supporting these ideas are very minimal. Firms with a focus on revenue satisfy customers and create loyal customers showing best performance (Rust, Moorman and Dickson, 2002). Certain other studies had found that efficient outlet with satisfied customer outperform other outlets (Mittal and Banwari, 2005).

The dynamic nature of the food retailing outlets had succeeded the traditional marketing techniques by diminishing its effectiveness (McKenna, 1991). It has become a difficult task to satisfy customers, as their expectations are higher and their loyalties are of a short tenure (Colletti and Murray, 1990; Scaaf and Zemke, 1991). There are greater offering in the food

retail outlets to the customers, as a result of the selective and informed usage of outlets. The expectations of the customers about the food retailing outlets are higher, owing to the increase in competition and higher range of retail activities (Ferguson and Zawacki, 1993). This results in customers with more information about outlet in terms of quality, it substitutes, offers and price. This represents basic changes in the retail environment and significant challenges to the retailers who must address the issue and develop ideas to tackle them (McKenna, 1991). As researchers in consumer behavior are becoming more advanced, retailing must keep pace and remain vigilant in the deeper understanding of the customers. For this purpose, a theoretical framework has been proposed for the relationship between product-related, market-related factors and customer experience in the food retailing outlets.

2. Theoretical Building

The customer experience originates from the interaction between the customer and outlet, which provoke a reaction within the customer. Experience is straightly personal and brings out the customer involvement at different levels (Rational, Emotional, Sensorial, Physical and Spiritual) (Gentile, Spiller and Noci, 2007). Customer Experience is the internal and subjective response, customer have to any direct or indirect contact with the outlet. Direct contact generally occurs in the course of purchase, use, service and is usually initiated by the customer. Indirect contact most often involves unplanned encounters representatives of an outlet products, service or brands and takes the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews and so forth. (Meyer and Schwager, 2007).

Experiential marketers focus on creating experiences for their customers (Schmitt, 1999). Experiences have become the means for competitive differentiation as goods and services become commoditized (Pine and Gilmore, 1999). During the purchase customers expect to have more than attributes; they want to be "entertained, stimulated, emotionally affected and creatively challenged" (Schmitt, 2003). The experiences must

be conveyed in order to appeal to the emotions and expectations of the customers. The importance of understanding and enhancing customer experience is vital. Most of the food retailers have started recognizing the importance of these experiences and thus there is an area for academic research. Experiential consumption has been investigated for over two and a half decades (Holbrook and Hirschman, 1982). Recent research in service dominant logic has emphasized the importance of co-creation where customer is a co-creator of value (Vargo and Lusch, 2004). Co-creation has an important role in the development of the creation of outstanding customer experiences.

Outlets first step toward managing customer experience is the recognition of the clues that is sent to the customers (Berry, Carbon and Haeckel, 2002). Outlets that sense trouble in the form of falling customer satisfaction or new competitive threats would do well to consider undertaking the focused clues that give off signals to the customers. The clues that develop customer experience can be transferred to the customer in two ways. The first form is through the product-related factors, i.e., are the customers satisfied with the product-related needs? Are the customers satisfied with the offered price? Is the shopping done within the expected budget? And so on. The second form is through the market-related factors, i.e., is the outlet located in a convenient place? Are you satisfied with the services of the outlet, are you satisfied with the parking in this outlet? And so on.

Studies on retail experience typically focus on atmospherics. Researchers have shown that music (Cameron et al, 2003; Grewal et al, 2003; Milliman, 1982), scent (Bone and Ellen, 1999; Mattila and Wirtz, 2001; Spangenberg Et Al, 1996), and Colour (Bellizzi and Hite, 1992) influence customer affective response in the context of retail experiences. Many researchers in marketing has provided support for environmental impact of customer perception regarding price, quality, time/effort cost, psychic cause (Baker, Julie, Grewal and Glenn, 2002). The three antecedents that make an effect on retail patronage are product relevant factors (Product quality, price and assortment), market relevant factor (parking, location, sales people, service quality, store image, store atmosphere and fast checkout) and personal factors (Gender, Income and Age) (Pan and Zinkhan, 2006).

3. Objectives of the study

- i. To find out the product-related and market-related factors influencing the customer experience.
- ii. To help the retailers to work on certain areas that will provide the customers with a positive shopping experience and increases retail patronage also.

4. Theoretical Model

In this study the most important and least important attributes are being identified for the purpose of forming differentiating marketing strategies. This understanding is important for retailers in providing positive customer experience and in increasing sales of the outlet. Two variables product-related and market-related variables are taken from Pan and Zinkhan (2006) for the present study. In product related quality,

price and assortment are taken for the study. In market related factors atmospherics, convenience and fast check-out are taken for the study.

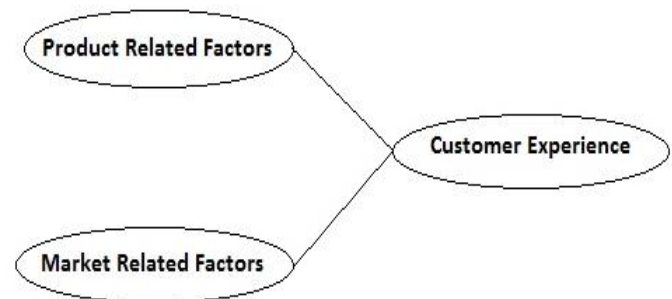


Fig-1 Theoretical Model

5. Construct Description

Product-related factors

Quality

The customer's perception of the quality of an outlet relates to the customer's experience in that outlet (Darley and Lim, 1993; Jacoby and Mazursky, 1985; Olshavsky, 1985). The merchandise quality determines the retailer's reputation and influences customer choice of outlet (Grewal et al., 2003).

Pricing

Customers who shop for economical brands; tend to select economical outlet formats (Baltas and Papastathopoulou, 2003). Low price was considered as the second important characteristic for super market shoppers (Arnold, Stephen, Oum and Douglas, 1983). Overall price image of a store affects store choice. Price image has implications for store patronage, and strategic decisions related to target customer base and creating in-store environments (Desai and Talukdar, 2003).

Assortment

Among nine stores image attributes assortment and low price accounted for eighty six percentage of the variance (Finn and Louverie, 1996). Customers rank product quality in first place, freshness in second place and assortment in the third place (Bellenger and Robertson, 1977). Assortment size strictly depends on the available surface area in the store, a volume retailer will partially or fully meet customer expectations, depending on outlet area (Mittal and Gupta, 2012).

Market-related factors

Atmosphere

Store atmospherics have been at the center of numerous discussions recently as means of creating a pleasurable customer experience and engaging customers, with hopes that they will increase their likelihood to purchase, revisit and recommend to others (Schmitt, 1999). Customers have higher need to affiliate with sales people working in nicer retail environments – which should lead to an increase in the perceived level of credibility for the sales person and subsequently, a higher likelihood to purchase.

Convenience

Convenience is the key benefit that shoppers seek from any retail outlet. Customer's perception about opening hours, location and parking have a positive influence on their satisfaction with the outlet (Berry et al, 2002). Central location can reduce transportation cost and time spent which gives a positive customer experience in their shopping (Berry et al, 2002). Convenient location, longer operating hours and ample parking can draw positive customer experiences for the outlet (Hansen and Deutscher, 1977).

Fast check-out

Retail stores are devoting more resources to time saving services, such as fast checkout (Lambert, 1979). Time savings in outlets are recognized and it influences the customer experience in the outlet.

6. Methodology

The methodology provides a clear idea about the statistical tools used, the sample size and the steps used in the model development procedure. The methodology part brings out the reliable and valid relationship of the factors and customer experience as proposed in the model.

Statistical tools used

To measure the relationship between product-related and market-related factors with customer experience, a structured equation model (SEM) procedure was followed (Churchill 1979; Gerbing and Anderson, 1988). The validity of customer experience was measured using SEM (R-square value) for proving the relationship based on the product-related and market-related factors. Finally t-test reliability of the measures is assessed through bootstrap value. Reliability is tested using cronbach alpha and validity is tested using PLS path modeling.

Sample Size and data collection

Coimbatore city was divided into five as north, south, east, west and center and all the customers in the food retailing outlets were surveyed with questionnaire. A total of 750 questionnaires were distributed and 697 fully filled questionnaires were received. This took time duration of six months from January 2013 to June 2013.

Reliability testing of customer experience, product-related and market-related constructs

Reliability of customer experience, product-related and market-related factors refers to the accuracy with which the constructs repeatedly measure the same without much variation. The reliability of each construct in the question was examined using Cronbach's alpha (Cronbach, 1951). As alpha scores are greater than 0.7 for all constructs, the constructs are acceptable with sufficient accuracy. The overall reliability score of all the constructs are having values above 0.7, showing good reliability of the constructs.

Table.1 – Reliability measuring scale for PRF, MRF and CE

Construct	Reliability	Cronbach Alpha
Product-related factors (PRF)	0.927587	0.884486
Market-related factors (MRF)	0.946793	0.936672
Customer Experience (CE)	0.924941	0.857932

Terms used: PRF – Product related factors, MRF – Market related factors, CE – Customer Experience.

Validity testing

The AVE score of the constructs PRF, MRF and CE have values greater than 0.5 they are said to have convergent validity or unidimensionality. (Chin1995; Chin et al 2003; Chin and Newsted 1999; Chin 1998; Barclay et al, 1995; Anderson and Gerbing 1988). The result shows that the product-related and market-related constructs have a good relationship with customer experience in the food retailing outlets

Table.2 – Validity measuring scale for PRF, MRF and CE

Constructs	AVE
Product-related factors (PRF)	0.604053
Market-related factors (MRF)	0.631952
Customer experience (CE)	0.713826

7. Analysis and Discussion

A construct level correlation analysis was used as a preliminary check for the proposed hypotheses. Visual PLS is used to calculate the construct scores of PRF, MRF and CE. These scores are checked for significant correlation. The correlation scores are shown in table.3. It is seen that the relation between Product related factors, market related factors and customer experience is significant. Thus, there is a good relationship between product related factors with customer experience and market related factors with customer experience in the food retailing outlets at Coimbatore city.

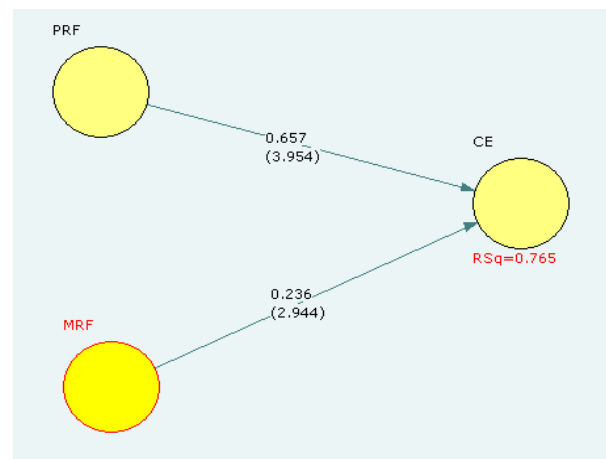


Fig-2 Model Showing the relationship of customer experience with product-related and market-related factors

Table.3 – Construct level correlation analysis of the relationship between PRF with CE and MRF with CE

Hypothesis	Independent Variable	Dependent variable	Pearson correlation	Sig (2 tailed)
H1	Product-related factors	Customer experience	0.899	0.000
H2	Market-related factors	Customer experience	0.826	0.000

The bivariate correlations are significant for the proposed hypothesis when considered in pairs. This shows a good relationship of PRF with CE and MRF with CE. There is still a need to check the significance of the constructs when put together in SEM as a casual effect. A rigorous test of

relationship for the proposed relations can be tested using bootstrap function in visual PLS. It is possible to use resampling methods (bootstrap and jack knife) to obtain the significance of the proposed paths in the model (Efron, 1979; Efron and Gong, 1983).

Table.4 – Bootstrap summary of the relationship of the hypothesis

	Entire sample estimate	Mean of samples	Standard error	T-static	Result
PRF>CE	0.8520	0.8520	0.0662	3.9541	Significant
MRF>CE	0.2360	0.1582	0.0802	2.9438	Significant

Bootstrap is more reliable in estimating the significance of paths. So this study had considered and used bootstrap for the purpose of determining relations proposed in the model. The results are examined for significance. In general it is assumed that if the t-static is more than 2, the path is significant. The R Sq value (0.765) is also significantly high.

H1: Product-related factors have a significant relationship with customer experience.

The PRF such as price, quality and assortment has a significant relationship in bringing out positive customer experiences in the food retailing outlets at Coimbatore.

H2: Market-related factors have a significant relationship with customer experience.

The MRF such as atmosphere, convenience and fast check-out have a significant relationship in bringing a positive customer experience in the food retailing outlets at Coimbatore.

8. Conclusion and Implications

Retailers can appoint customer advocates who can develop a new competitive advantage that does not rely on the traditional marketing techniques of being bigger or cheaper. It leads to the creation of satisfied customer experiences which leads to the generation of loyal customers. A deep understanding of the customers is a must to identify what matters important to them and create shopping experiences with the features that bond the customers to the outlet.

The use of customer insights to drive business operations and prioritize investments in improving customer experience is the common theme of retailers. By understanding and responding to the needs of individual customers across shopping trips, product categories and channels, the retailers can increase the frequency of purchase. Technology can support these efforts by capturing customer feedback, targeting personalized message and promotional offers, providing detailed product information, enabling multichannel execution, managing product assortments and inventory, training and supporting staff, and accelerating the checkout process. If retailers apply these learning's to their outlets, they have the opportunity to survive and thrive in the rapidly changing retail industry.

As conclusion it can be said that retailer should become more customer focus so as to deliver positive customer experience. Customer focus is the strategic discipline that retailers should take to improve their operations in order to drive better customer relationships. Customer focus leads to retention and loyalty. Increased customer trust gives good customer experience and ultimately superior financial results. Some of the important characteristics of a strong customer focus approach are understand customer's needs and expectations from the outside use customer insights to drive outlet operations, break traditional outlet constraints, adopt a change in mindset and prioritize investments based on what really counts.

References

- Anderson J.C., & Gerbing D.W. (1988). Structural Equation Modeling in Practice: A Review and Recommended Two-Step Approach. *Psychological Bulletin*, 103(3), 411-423.
- Arnold, Stephen J., Tae H. Oum., & Douglas J., Tigert. (1983). Determining attributes in retail patronage: seasonal, temporal, regional, and international comparisons. *Journal of Marketing Research*, 20, 149–157.
- Aylott Russell Mitchell Vincent-Wayne. (1999). An exploratory study of grocery shopping stressors. *British Food Journal*, 101(9), 683 – 700.
- Baker, Julie, A., Parasuraman., Dhruv Grewal., & Glenn B. Voss. (2002). The Influence of Multiple Store Environment Cues on Perceived Merchandise Value and Patronage Intentions. *Journal of Marketing*, 66, 120–141.
- Baltas George., & Papastathopoulou Paulina. (2003). Shopper characteristics, product and store choice criteria: a survey in the Greek grocery sector. *International Journal of Retail & Distribution Management*, 31(10), 498 – 507.
- Barclay D., Higgins C., & Thompson R. (1995). The Partial Least Squares (PLS) Approach to Causal Modeling. *Personal Computer Adoption and Use as an Illustration Technology Studies*, 2(2), 285-309.
- Bellenger, D.N., D.H. Robertson., & B.A. Greenberg. (1977). Shopping center patronage motives. *Journal of Retailing*, 53(2), 29–38.
- Bellizzi, Joseph A., & Robert E. Hite. (1992). Environmental Color, Consumer Feelings, and Purchase Likelihood. *Psychology and Marketing*, 9(5), 347–363.
- Berry .L., Carbone.L.P., & Haecckel. S. H. (2002). Managing the total customer experience. *MIT Sloan Management Review*, 43(3).

10. Bone., Paula Fitzgerald., & Pam Scholder Ellen. (1999). Scents in the Marketplace: Explaining a Fraction of Olfaction', *Journal of Retailing*, 2(75): 243–263.
11. Cameron., Michaelle Ann., Julie Baker., Mark Peterson., & Karin Braunsberger. (2003). The Effects of Music, Wait-Length Evaluation, and Mood on a Low-Cost Wait Experience. *Journal of Business Research*, 56, 421– 430.
12. Carpenter, J.M., & Moore, M. (2006). Consumer demographics, store attributes, and retail format choice in the US grocery market. *International Journal of Retail & Distribution Management*, 34(6), 434-452.
13. Colletti Jerome A., & Murray Leland T. (1990). Linking retail sales commissions to customer service. *National Productivity Review*, 9(2), 157-168.
14. Chin W.W., (1998). The partial least squares approach for structural equation modelling. In George A. Marcoulides (Ed.), *Modern Methods for Business Research*, Lawrence Erlbaum Associates.
15. Chin W.W., & Newsted P.R. (1999). Structural Equation Modeling analysis with Small Samples Using Partial Least Squares. In Rick Hoyle (Ed.). *Statistical Strategies for Small Sample Research*, Sage Publications.
16. Chin W.W. (1995). Partial Least Squares Is To LISREL As Principal Components Analysis Is To Common Factor Analysis. *Technology Studies*, 2(2), 315-319.
17. Chin Wynne W., Marcolin Barbara L., & Newsted Peter R. (2003). A Partial Least Squares Latent Variable Modeling Approach for Measuring Interaction Effects. Results from a Monte Carlo Simulation Study and an Electronic-Mail Emotion / Adoption Study. *Information Systems Research*, 14 (2), 189-217.
18. Churchill G.A. (1979). A Paradigm for Developing Better Measures of Marketing Constructs. *Journal of Marketing Studies*, 16, 12-27.
19. Cronbach L.J. (1951). Coefficient Alpha and Internal Structure of Tests. *Psychometrika*, 16, 297-334.
20. Darley, William K., & Jeen-Su Lim. (1993). Store-choice behavior for pre-owned merchandise. *Journal of Business Research*, 27, 17–31.
21. Desai., Kalpesh Kaushik., Talukdar., & Debabrata. (2003). Relationship between product groups price perceptions, shopper's basket size, and grocery store's overall store price image. *Psychology and Marketing*, 20(10), 903–933.
22. Efron B., (1979). Bootstrap methods: Another look at the jackknife. *Annals of Statistics*, 7(1), 1-26.
23. Efron B., & Gong. G. (1983). A Leisurely Look at the Bootstrap, the Jackknife, and Cross-Validation. *The American Statistician*, 37(1), 36-48.
24. Ferguson, J. M., & Zawacki, R. A. (1993). Service quality: A critical success factor for IS Organizations, *Information Strategy. The Executive's Journal*, 9(2), 24-30.
25. Finn, A., & J. Louviere. (1996). Shopping center image, consideration, and choice: anchor store contribution. *Journal of Business Research*, 35, 241–251.
26. Fram, Eugene H., & Axelrod Joel. (1990). The Distressed Shopper. *American Demographics*, 12, 44-45.
27. Gentile, C., Spiller, N., & Noci, G. (2007). How to Sustain the Customer Experience: an Overview of Experience Components that Co-Create Value with the Customer. *European Management Journal*, 25(5): 395-410.
28. Grewal, Dhruv., Julie Baker., Michael Levy., & Glenn B. Voss. (2003). The Effects of Wait Expectations and Store Atmosphere Evaluations on Patronage Intentions in Service-Intensive Retail Stores. *Journal of Retailing*, 79(4), 259–268.
29. Hansen., Robert., & Terry Deutscher. (1977). An empirical investigation of attribute importance in retail store selection. *Journal of Retailing*, 53(4), 59–95.
30. Holbrook, Morris, B., & Elizabeth, C., Hirschman. (1982). The Experiential Aspects of Consumption: Consumer Fantasies, Feelings, and Fun. *Journal Consumer Research*, 9, 132–140.
31. Jacoby, Jacob., & David Mazursky. (1985). The impact of linking brand and retailer images on perceptions of quality in Perceived Quality: How Consumers View New Stores and Merchandise, Jacob Jacoby and C. Olson Jerry eds. Lexington, MA', *D.C. Heath and Company*, 155–159.
32. Lambert, Z.V. (1979). An investigation of older consumers: unmet needs and wants at the retail level. *Journal of Retailing*, 55(4), 37–57.
33. Mattila, Anna S., & Jochen Wirtz. (2001). Congruency of Scent and Music as a Driver of In-Store Evaluations and Behavior. *Journal of Retailing*, 77, 273–289.
34. McKenna. (1991). Marketing is everything. *Harvard Business Review*, 65-84.
35. Meyer.A., & Schwager.A. (2007). Understanding Consumer Experience. *Harvard Business Review*.
36. Milliman, Ronald E. (1982). Using Background Music to Affect the Behavior of Supermarket Shoppers. *Journal of Marketing*, 86–91.
37. Mittal, Banwari. (2005). The Advertising of Services: Meeting the Challenge of Intangibility. *Journal of Service Research*, 2(1), 98–116.
38. Mittal.S., & Gupta.A. (2012). 'Customer Experience Management in Retailing for Retail Patronage. *International Journal of Marketing and Technology*, 2(5), 46-83.
39. Olshavsky, Richard W. (1985). Perceived quality in consumer decision making: an integrated theoretical perspective, In Perceived Quality: How Consumers View Stores and Merchandise, Jacoby Jacob and C. Olson Jerry eds. Lexington, MA. *D.C. Heath and Company*, 3–29.
40. Pan Yue., & Zinkhan M. George. (2006). Determinants of retail patronage: A meta analytical perspective. *Journal of Retailing*, 82(3), 229-243.
41. Pine, B.J., & Gilmore. J. (1999). *The Experience Economy*, Boston. MA: *Harvard Business Review Press*.
42. Rust Roland.T., Moorman Christine., & Dickson R. Peter. (2002). Getting Return on Quality: Revenue Expansion Cost Reduction, or Both? *Journal of Marketing*, 66, 7-24.
43. Schaaf, Dick., & Zemke, Ron. (1991). *The Service Edge: 101 Companies That Profit From Customer Care*. New York: *Plume*.
44. Schmitt, Bernd, H., (1999), 'Experiential Marketing: How to get customers to sense, Feel, Think, Act, and Relate to Your Company and Brands. *New York: Free Press*.
45. Schmitt, Bernd, H., (2003). *Experience management: A revolutionary approach to connecting with your customers*. John Wiley & Sons.
46. Spangenberg, Eric R., Ayn E. Crowley., & PamelaW. Henderson. (1996). Improving the Store Environment: Do Olfactory Cues Affect Evaluations and Behaviors. *Journal of Marketing*, 60, 67–80.
47. Vargo Stephen. L., & Lusch Robert. F. (2004). Evolving to a new dominant logic for marketing. *Journal of Marketing*, 68 (1).