



Esta propuesta de tesis doctoral: **David versus Goliath: investigating determinants of customer loyalty in emerging markets: traditional versus modern retail formats**

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Thesis paper proposal: **David versus Goliath or traditional versus modern retail formats: investigating determinants of customer loyalty in emerging markets.**

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Abstract

The purpose of this paper is to investigate the determinants of both attitudinal and behavioral customer loyalty by decomposing total customer value into the dimensions posited in Sheth's theory of consumption values: utilitarian, hedonic, social, epistemic and circumstantial dimensions and empirically test this conceptualization in an emerging market grocery retail context. The principal contribution of this document is the analysis and empirical testing of total customer value incorporating four dimensions; utilitarian and hedonic dimensions and to a lesser extent social values have been well studied in consumer behavior literature however no previous study has incorporated four dimensions at the same time. Being able to increase marketing and retail executives' understanding of these additional aspects of shopping, such as social and epistemic values together with the other two dimensions of consumer purchasing behavior is very relevant especially in a context of highly competitive, largely commoditized retail markets as differentiating factors and potential sources of competitive advantage.

Key words: consumer behavior, attitudinal loyalty, behavioral loyalty, customer perceived value, theory of consumption values, retail industry

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Introduction

Customer loyalty constitutes an underlying objective for strategic market planning (Kotler, 1984) and represents an important basis for developing a sustainable competitive advantage; an advantage that can be realized through marketing efforts. In the present environment of increasing global competition, rapid market entry of innovative products and services and maturity conditions in certain industries, the task of managing customer loyalty has emerged as a focal managerial challenge (Knox & Denison, 2000; Donnelly, 2009). This is the case of the retail sector, which has undergone a series of significant changes during the past few decades, resulting in an industry characterized by sustained growth, intense competition and reduced customer loyalty (Reardon et al., 2005).

Thus, focusing on building customer loyalty is a suitable business strategy in the retail sector, as several studies have confirmed empirically that higher returns are achieved by those stores that have loyal consumers (Enis & Paul, 1970; East et al., 1994; Donnelly, 2009). Also, because loyal customers purchase more from their preferred provider, as stores sales increase, they gain a stronger market position and benefit from positive referrals and word-of-mouth (Peppers & Rogers, 2004).

While customer loyalty is a concept all managers in this industry want to achieve, studies have found inconsistencies both in its conceptualization and measurement, specifically in the sense that customer loyalty in retail does not directly translate into customer behavior (Andreassen et al., 2008). Customer loyalty has been largely treated by researchers as either repurchase behavior (Loveman, 1998; Soderlund, 1998) or repurchase behavior combined with an attitudinal component (Dick & Basu, 1994; Andreassen & Lindestad,

1998; Oliver, 1997; de Ruyter et al., 1998; Lemmink & Mattsson, 1998; Price & Arnould, 1999). Dick and Basu (1994) developed perhaps the most robust and cited framework for customer loyalty which combines both attitudinal and behavioral measures. This composite definition considers that loyalty should always comprise favorable attitudes; intentions and repeat-purchase (Jacoby & Chestnut, 1978). Loyalty, with its high repeat patronage and high relative attitude is the ultimate goal for marketers, as it is crucial for developing a sustainable competitive advantage.

Both due to its importance in an industry like grocery retail with the particular characteristics mentioned above (Knox & Denison, 2000; Reardon et al., 2005; Donnelly, 2009) and the fact that the conceptualization of customer loyalty in retail in general and grocery retail in particular is not clear (Flavián et al., 2001; Andreassen et al., 2008), this becomes a phenomenon which merits a detailed study with the aim of understanding the concept in the particular retail context.

Modern retail structures are rapidly expanding in emerging economies, resulting in a growing number of research projects focusing on the effects of this circumstance (Slater & Henley, 1969; Goldman, 1981; Kaynak & Cavusgil, 1982; Findlay et al., 1990; Samiee, 1993; Reardon et al., 2005). This transformation of the retail industry has been underway in emerging economies since the early 1990s where supermarkets, hypermarkets and convenience stores have gone well beyond the initial upper and middle class niche target markets to reach the masses (Reardon et al., 2005), transforming the grocery retail industry at different rates and depths across regions and countries (Reardon et al., 2005).

This transformation of grocery retail systems in emerging regions has been characterized by the apparent replacement of traditional, small-scale family owned food stores – *mom and pop stores*¹ – by supermarkets and other modern retail formats (Goldman et al., 2002). However, in spite of the apparent opportunities in these emerging markets, supermarket companies and other modern format retailers report major difficulties in realizing their potential with market share figures remaining relatively small (Goldman et al., 2002). Traditional markets still retain an important position in these consumers’ lifestyle (Goldman et al., 2002; Hino, 2010; Capizzani et al., 2012; Hino 2014) as large percentages of all products continue to be distributed by traditional channels, albeit different figures across regions and countries, and a vast majority of consumers still do most of their shopping at various traditional retail stores, especially the neighborhood groceries and specialty stores, instead of illuminated, air-conditioned supermarkets (Goldman et al., 2002; Hino, 2010; Goldman & Hino, 2005; D’Andrea & Lunardini, 2005; Reardon et al., 2005; Maruyama & Trung, 2007; Capizzani et al., 2012; Hino 2014).

Grocery retail customers, as those of many others competitive industries are “value-driven” (Levy, 1999). Prior empirical research has identified perceived value as a major determinant of customer loyalty in industries such as telephone services (Bolton & Drew, 1991), airline travel, and retailing services (Sirdeshmukh et al., 2002). Other authors argue that customer perceived value has been found to be a major contributor to purchase intention (Chang & Wildt, 1994). Therefore, retail practitioners need to understand what customer’s value and where they should focus their attention to achieve customer loyalty (Woodruff, 1997).

¹ We will refer to single unit stores as “mom and pop” stores in this analysis for labeling purposes. These are single unit retail establishments, open in one location, that are typically small-scale, independent, usually controlled, operated and family-owned businesses that have a minimum amount of employees, a small amount of business volume, and are often sole, family-owned proprietorships.

Three decades ago Sheth (1983) proposed two kinds of shopping motivations: customer's functional needs and non-functional wants (Sheth, 1983). Retailers strive to deliver what customers *need*, but the most successful retail store concepts are often based on what customers *want* (Rintamaki et al., 2006). This is because many shoppers are looking for more than simply fair prices and convenience, the foundations of functional values (Sheth, 1983). Retailers who understand the multiplicity of drivers for shopping and the role of additional factors such as hedonic and social shopping motives have a better chance to create value for their customers (Holbrook & Hirschman, 1982; Sheth, 1983; Tauber, 1972; Westbrook & Black, 1985; Rintamaki et al., 2006).

The purpose of this study is to explore four important research questions: (1) does customer perceived value influence attitudinal and behavioral loyalty towards a retailer? If so, (2) which value dimension has a stronger influence on total customer perceived value and which has more influence on both attitudinal and behavioral loyalty? More specifically, (3) if modern retail formats offer superior functional aspects of the total customer perceived value construct, why do many customers in emerging countries still prefer to buy their groceries at traditional retail formats? What other factors besides functional aspects of retail formats that determine attitudinal and behavioral customer loyalty? Moreover, (4) what are their relative importance and relationship with attitudinal and behavioral customer loyalty and what conditions or determinants produce them in the grocery retail industry? In order to answer these questions, we developed a research model grounded in Dick and Basu's conceptual model (1994) and Sheth et al.'s consumption values theory (1991a), to be tested with data collected from a survey of a sample of supermarkets and mom and pop stores in Lima. The data will be analyzed using structural equation modelling techniques.

This document unfolds as follows. First of all, we discuss the grocery retail industry specifically in an emerging market context; then we offer a brief outline of the construct customer loyalty, based on Dick and Basu's conceptual framework (1994) in order to understand more fully its motivational, perceptual and behavioral consequences (Dick & Basu, 1994) in a retail setting. Next, we will differentiate conceptually and analyze the relationships between customer perceived value and customer loyalty and finally, we will introduce the five dimensions posited in the theory of consumption values (Sheth et al., 1991a) as determinants of customer perceived value and retail customer loyalty to analyze its relevance and significance in all these aforementioned connections. We will focus on these relationships by formulating a set of formal hypotheses and we propose to analyze this framework empirically considering different grocery retail formats and diverse demographic factors in order to compare and contrast the results.

Problem definition

Services are reported as being the fastest growing component of the global economy. Based on the World Bank's (2001) report, the service sector contributed 64% to world gross domestic product in 2000 as opposed to only 57% in 1990 and this growing trend continues to show (CIA World Fact book, June 30, 2015). An important part of the services sector is the retail industry which is responsible for roughly 28.4% of total World GDP (Investopedia, 2015). In fact, the global retail market continues to grow, year after year, regardless of the economic conditions or consumption trends (Investopedia, 2015).

Both the economic conditions and consumption trends have resulted in a retail industry characterized by intense competition and reduced customer loyalty (Reardon et al., 2005) where the key strategy is to focus on creating long-term relationships with consumers (Sirohi et al., 1998; Knox & Denison, 2000; Donnelly, 2009). Hence, understanding customer loyalty is crucial in the retail sector, especially when several empirical studies have confirmed that those stores that have loyal customers have also obtained higher returns (Enis & Paul, 1970; East et al., 1994; Donnelly, 2009).

Retail management efforts to do just this are becoming more common and help explain the recent increase in number of retailer loyalty and frequent shopper programs loyalty clubs, cards and programs, each designed to motivate the consumer to spend more in one store group than in others (Raphel, 1995; Sirohi et al., 1998; Knox & Denison, 2000; Meyer-Waarden, L., 2015; Kang et al., 2015; Jai & King, 2016; Breugelmans et al., 2015). However, the financial returns of many loyalty-building efforts fail to meet expectations because, in part, even though the concept of “customer loyalty” has been debated for more

60 years (Brown, 1952) there are still divergent theoretical and operational approaches to customer loyalty (Watson IV et al., 2015; Nunes & Dréze, 2006).

Retail literature points that the three aspects that are most studied in the retail industry, which ultimately determine customer choice are customer perceived value, customer loyalty and subsequent patronage behavior (Dick & Basu, 1994; Goldman et al., 2002; D'Andrea & Lunardini, 2005; Reardon et al., 2005; Hino, 2014). In addition, there is evidence that customer loyalty is determined by customer perceived value (Patterson & Spreng 1997; Eggert & Ulega 2002; Cronin et al., 1997; Sweeney et al. 1997; Brady & Robertson 1999; Patterson & Spreng 1997; Tam, 2004). However, there is no consensus about whether there is a direct relationship between customer perceived value and customer loyalty or whether this relationship is mediated by other constructs (Oliver, 1999; Ruiz-Molina & Gil-Saura, 2008).

Despite the importance of retail customer loyalty and other related constructs, few empirical work has attempted to assess all the different factors that determine customer perceived value and customer loyalty – both considering its attitudinal and behavioral components. Furthermore, in regards to determinant factors in the retail sector, most studies have focused on analyzing one dimension (Grewal et al., 2015; Jain, 2011; Baltas et al., 2010; Uncles & Kwok, 2009; Brown, 2004; Grewal et al., 2003; Babin et al., 2003) which may not be enough if we consider the complexity of true customer loyalty from both an attitudinal and behavioral perspective (Jacoby & Chestnut, 1978; Bloemer & Kasper, 1995). A review of the literature available on customer perceived value and customer loyalty in retail, shows that most studies focus on functional aspects of stores (see table 1).

Table 1: Selected empirical studies on different dimensions of customer loyalty in the retail industry (from 1969 to 2016)

Author(s)	Year	Dimensions
Stephenson	1969	Functional
Peters & Ford	1972	Demographic
Bearden	1977	Functional
Brown	1977	Functional
Bearden et al.	1978	Demographic
Verhallen & de Nooij	1982	Functional
Arnold et al.	1983	Functional
Darian	1987	Demographic
Shim & Drake	1990	Functional
Shim & Mahoney	1991	Demographic
Woodside & Trapper	1992	Functional and demographic
Arnold et al.	1996	Functional and hedonic
Finn & Louviere	1996	Functional
Sullivan & Savitt	1997	Functional, hedonic, social and demographic
Macintosh & Lockshin	1997	Functional and hedonic
Thelen & Woodside	1997	Functional
Eastlick et al.	1998	Demographic
Mano	1999	Functional
Babin & Babin	2001	Hedonic
Parasuraman et al.	2002	Functional and hedonic
Zarkada-Fraser & Fraser	2002	Social
Goldman & Krider	2002	Functional and demographic
Baker et al.	2002	Functional
Forsythe & Bo	2003	Functional and demographic
Grewal et al.	2003	Functional and demographic
Moye & Kincade	2003	Functional
Babin et al.	2003	Functional
Grewal et al.	2003	Functional
Resnick & Montania	2003	Functional
Brown	2004	Functional
D'Andrea & Herrero	2005	Functional and hedonic
Goldman & Hino	2005	Functional, Hedonic, Social and Cultural
Wei-Ming Ou et al.	2006	Functional
Pan & Zinkhan	2006	Functional and demographic
Rintamaki et al.	2006	Functional, hedonic and social
Maruyama & Trung	2007	Functional & social
Uncles & Kwok	2009	Functional
Baltas et al.	2010	Functional
Jain	2011	Functional
Nejdet et al.	2012	Functional, social and cultural
Chamburi and Batt	2013	Functional, social and cultural
Oltmans	2013	Functional and Social
Babin et al.	2014	Functional and hedonic
Michon et al.	2015	Functional and hedonic
Grewal et al.	2015	Functional
Barki et al.	2016	Functional and hedonic
Thiruvankadam & Panchanatham	2016	Demographic

Source: own elaboration, 2016.

The purpose of this research is to study these additional factors that go beyond functional aspects of retail formats to explain why, if modern formats are superior from a functional perspective, many customers in emerging countries continue to patronize various traditional retail formats, especially the neighborhood *mom and pop* groceries and

specialty stores (Goldman & Hino, 2005). It is expected that this study provides a basis for understanding potential sources of competitive advantage for each type of format and predict the evolution of the different kinds of outlets in the near future (Goldman & Hino, 2005).

With this study, we want to contribute to the literature by analyzing the importance and relevance of both functional and *other* factors that determine customer perceived value and their relationships with customer loyalty – both attitudinal and behavioral - for different retail formats. These other factors proposed by Sheth et al. (1991a) in their theory of consumption values include hedonic, social, epistemic and circumstantial factors.

Increasing the understanding of these other aspects that determine customer loyalty in retail is relevant because these other dimensions of customer value are seen as meaningful and important aspects that complement the traditional and overly studied functional perspective (Rintamaki et al., 2006). Also, they represent possible differentiating factors in the highly competitive and often commoditized grocery retail markets especially as creating and delivering customer value is a condition for retailers to survive in today's competitive marketplace (Sheth, 1983; Rintamaki et al., 2006; Prahalad & Ramaswamy, 2013).

This study intends to fill this void in the literature by conducting an empirical study on the determinants of grocery retail customer loyalty in an emerging market. The proposed model studies the relationship between customer perceived value and customer loyalty – decomposed in attitudinal and behavioral components of loyalty – in a grocery retail

context, taking into account the effect of the value dimensions posited in the theory of consumption values (Sheth et al., 1991a). This is because instead of defining customer choice only as a function of functional aspects, the role of hedonic, social, epistemic and circumstantial motives should also be recognized (Holbrook & Hirschman, 1982; Sheth, 1983, 1991; Tauber, 1972; Westbrook & Black, 1985).

Literature review

Retail industry

Between the 1920s and the 1970s, food retailing went through a profound evolution in the United States due to industrialization and urbanization together with other sociodemographic changes such as women working outside of home, making them more dependent on markets to fulfill their food needs and increasing the purchase of packaged foods (Hagen, 2002). A new type of food retailer, supermarkets, started gaining considerable market share - due to their nature and characteristics - at the expense of traditional, small, limited-line clerk-service stores (Hagen, 2002). Since then, the modernization of food retail formats has continued and spread to other advanced economies and more recently since the 1980s it has continued to expand to a number of emerging markets (Hagen, 2002).

This recent expansion has resulted in a dramatic change in the food retailing industry in many emerging markets (Hagen, 2002) and has made the study of retail modernization especially relevant at this time, especially due to its impact and consequences (Goldman et al., 2002). Thus, this process of retail modernization has been the subject of a large number of studies with several of them focused on emerging economies due to its importance in their development and its idiosyncrasies regarding supermarket format acceptance (Findlay et al., 1990; Samiee, 1993).

This modernization process has been characterized by the gradual replacement of small family owned, traditional food stores with supermarkets (Goldman & Hino, 2005). This

has been particularly true in Latin America which has led the way among developing regions in the growth of the supermarket sector. This growth is likely to be driven by customers changing lifestyles, an increased sophistication in their shopping patterns and by a strong growth in income levels especially in the middle classes, which has resulted in big retail chains opening their stores in metropolitan areas and more and more in smaller cities and townships (Goldman & Hino, 2005; Hino, 2014).

Although determinants of supermarket patronage in emerging markets have been studied since the 1980s (Yavas, Kaynak, & Borak, 1981), this topic has received more attention in recent years due to the increase in their participation and relevance, the main issue being how the majority of low income customers in these countries perceive the value offered by the new modern formats of retail, mainly supermarkets and hypermarkets (Uncles & Kwok, 2009; Zameer & Murkhejee, 2011; Barki et al., 2012).

In terms of value, a good assortment has been recognized as the most important competitive advantage of supermarket and other modern retail formats in India whereas traditional stores are seen to have better location, more personalized services and a closer relationship between the customer and the store owner (Zameer & Murkhejee, 2011; Barki et al., 2012). A similar study in Mexico concluded that customers recognize higher functional benefits with large, modern stores whereas they tend to associate smaller, traditional stores with more hedonic benefits (Paswan et al., 2010; Barki et al., 2012).

In Latin American countries during and before the 1980s there were a small number of supermarkets which were primarily financed by domestic capital and tended to be located in major cities and wealthier neighborhoods only, serving a niche retail market consisting

of at the most 20% of the national food retail sales (Reardon et al., 2003). However, nowadays modern formats have spread well beyond middle and upper classes and are starting to spread from big cities to intermediate towns, and in some countries, even to small towns in rural areas. About 40% of Chile's smaller towns now have supermarkets, as do many small to medium sized towns even in lower income countries (Reardon et al., 2003).

In terms of market share, according to a study prepared by D'Haase and Van der Berg (2007) in Nicaragua, small stores have a patronage of more than 60% of all households. In India, organized retail still faces strong competition with over 92% of the business still coming from the fragmented, unorganized sector such as traditional family mom and pop stores (Zameer & Murkhejee, 2011; Barki et al., 2012). In Brazil, traditional retailers are still relevant for low-income consumers with supermarkets accounting only for about 50% of the Brazilian consumption of food, hygiene and cleanness products in the D/E income sectors (Barki, 2010). Finally, in China supermarkets represent only 46% of the total grocery retailer's sales (Uncles & Kwok, 2009; Barki et al., 2012; Fung Group, 2014). This increased adoption versus that of earlier years is due to the wider product variety and cleaner environment supermarkets offer compared to more traditional grocery retailers (Fung Group, 2014).

Thus, the retail landscape has changed radically in the past few years and by the year 2000, supermarkets have multiplied to account for up to 50 - 60% of national food retail among several Latin American countries, catching up with the 70 - 80% share figures in developed countries such as the United States and France. In a single decade, Latin

America has had the same development in the sector that the United States experienced in five decades (Reardon et al., 2003).

Despite this worldwide retail transformation, most consumers in emerging markets keep doing most of their shopping at various traditional retail stores, especially the neighborhood groceries and specialty stores (Goldman & Hino, 2005). From a practitioner standpoint, several market research reports demonstrate this situation. A recent study in Peru revealed that 70% of consumers buy products through traditional channels whereas only 30% uses modern retail channels such as supermarkets, minimarkets or even pharmacies (CCR, 2014). In other countries such as Argentina, Mexico, Chile and Colombia the percentage of supermarket participation in the country's food retail is 57%, 45%, 50 and 38% respectively (Reardon & Berdegué, 2002), way below expectations of growth in this particular industry (Goldman et al., 2002; Hino, 2010; D'Andrea & Lunardini, 2005; Reardon et al., 2005; Hino 2014). These figures alone indicate that the Latin American retail sector still offers immense potential for growth and consolidation and show why it is important to understand this market transformation in depth, both from a practitioner perspective but also from a scientific perspective.

Several authors argue that functional aspects are superior in modern formats than in traditional stores (Goldman et al., 2002; Hino, 2010; D'Andrea & Lunardini, 2005; Reardon et al., 2005; Maruyama & Trung, 2007; Capizzani et al., 2012; Hino 2014). Hence, the fact that most consumers in emerging markets keep doing most of their shopping at traditional retail stores probably is related to the other dimensions of

perceived customer value (Goldman et al., 2002; Hino, 2010; D'Andrea & Lunardini, 2005; Reardon et al., 2005; Hino 2014).

Many authors posit that this behavior has to do with the fact that many times small retailers are the only option for the customer to buy products to fulfill their needs, since the large, modern retailer hasn't yet reached low income communities (Goldman & Hino, 2005; Hino, 2007; Hino 2014). This is because modern retailers have a lack of knowledge regarding costumers' preferences or the lack of emotional proximity and feeling of community that comes as a result of a personal relationship with the shopkeepers or store personnel (Goldman et al., 2002; Hino, 2010; D'Andrea & Lunardini, 2005; Reardon et al., 2005; Hino 2014). According to these authors, this relationship is what makes emerging consumers feel comfortable in those traditional stores and provides them with a sense of familiarity and belonging (D'Andrea et al., 2006; Clarke, 2000; Lenartowicz & Balasubramanian, 2009; Jaffe & Yi, 2007; Barki et al., 2012).

Also important, local retailers benefit from the presence of the owner who can tailor their business model to local needs and provide a personal touch (D'Andrea et al., 2006; Clarke, 2000; Lenartowicz & Balasubramanian, 2009; Jaffe & Yi, 2007; Barki et al., 2012). For some authors, in emerging countries customers have virtual wallets offered by neighborhood retailers (Goldman & Hino, 2005; Hino, 2007; Hino 2014). This virtual wallet comprises informal, short-term, interest-free credit for small amounts and is offered by local shopkeepers to their regular customers based on their personal relationship (D'Andrea et al., 2006; Sheth et al., 2016).

However, these traditional food retail systems are not only typical to emerging economies (Goldman & Hino, 2005). They also exist in developed economies where traditional retail formats often operate alongside modern supermarkets (Goldman & Hino, 2005). Goldman et al., (2002) studied consumers in highly developed Asian economies such as Japan, Hong Kong, Taiwan, South Korea, Singapore and to a lesser extent Thailand where international supermarket companies have operated for a long time and the standard of living is relatively high and found that they regularly use traditional formats to do their shopping (Goldman et al., 2002). Furthermore, supermarkets' market share in those countries is also well below 50% (Goldman et al., 2002).

Additionally, a number of researchers have recently drawn attention to the case of ethnic-cultural minorities who reside in highly developed economies of Western Europe and North America such as Muslims in the UK (Jamal, 2003; Penaloza & Gilly, 1999) and Chinese and Mexicans in the USA (Ackerman & Tellis, 2001; Penaloza, 1994), who make many of their food purchases in traditional formats (Goldman & Hino, 2005). This is yet another case of the coexistence of traditional and modern retail formats, both struggling to ensure customers' business, despite economic development status (Goldman & Hino, 2005).

These studies in more developed settings demonstrate it is not a matter of income - or the lack of - that drives all kinds of customers to buy their products at local, traditional retail formats versus modern options. Hence, we must consider the question as to what are the main factors that determine customers' loyalty (both attitudinal and behavioral) when deciding where to do most of their shopping, whereas it is to continue to do so at traditional markets or switching to modern formats, and why.

Customer loyalty

Several authors posit one fundamental concept to study in the retail industry is customer loyalty. Surprisingly and in spite of its obvious importance to all businesses, relatively little is known about customer loyalty (Gremler & Brown, 1996; Kandampully & Bilgihan, 2015) so although customer loyalty is considered a key source of competitive advantage for businesses it has remained a mystery for some researchers (Gremler & Brown, 1996; Boohene & Agyapong, 2011). Experts have struggled to define precisely what being a loyal customer means and little progress has been made in determining what factors lead to customer loyalty (Gremler & Brown, 1996). Unfortunately, there is still no universally agreed definition of loyalty (Jacoby & Kyner 1973; Jacoby & Chestnut, 1978; Dick & Basu, 1994; Oliver, 1999; Boohene & Agyapong, 2011).

While some researchers and practitioners propose that loyalty has only a single, behavioral dimension (Reichheld, 2003), it is generally argued that loyalty is a two-dimensional construct, incorporating both attitudes and behavior (Dick & Basu, 1994; Oliver, 1999; Boohene & Agyapong, 2011). This is because, according to some authors, a single unidimensional measure is probably insufficient for measuring such a complex multidimensional phenomenon as customer loyalty (Jacoby & Kyner 1973; Zins, 2001; Chitty et al., 2007).

This two-dimension conceptualization, that integrates behavioral and attitudinal elements, was proposed by Day (1969). Since then, various actualizations of this structure have been suggested, with some of the best known being those proposed by Jacoby and Kyner (1973) who developed a conceptual definition of brand loyalty based on repeated

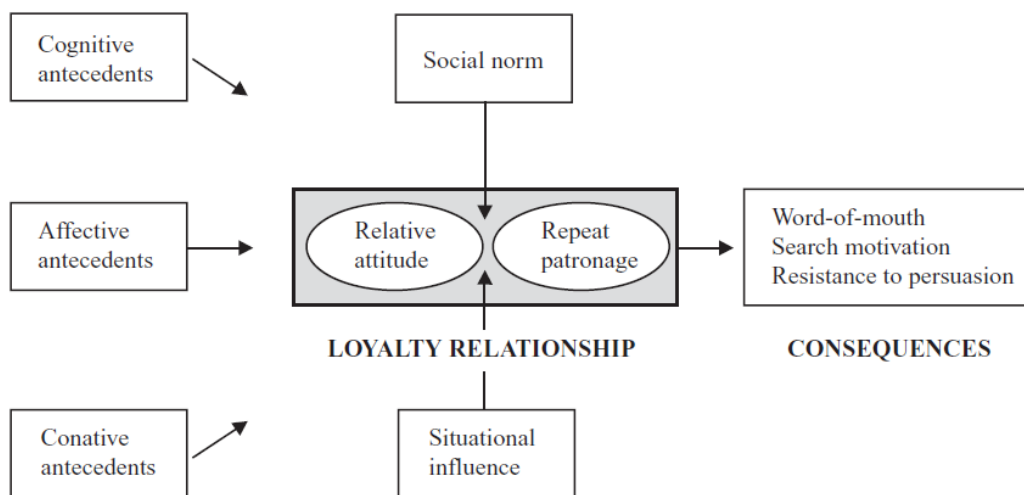
purchase behavior; Jacoby & Chestnut (1978), who defined the concept of true brand loyalty along with a complete compilation of past and current research; Backman & Crompton (1991) whose attention lies on identifying variables that could be useful in predicting activity loyalty, suggesting that behavioral, attitudinal, and composite measures of activity loyalty capture the three different dimensions of the phenomenon; Pritchard, Havitz and Howard (1992, 1999) who focused on the issue of how loyalty develops in service patrons, testing their commitment as an essential part of the process; and Mahony, Madrigal and Howard (2000), whose purpose was to develop a psychological commitment scale considering attitudinal loyalty as well as behavioral loyalty in a team sports setting.

Although today there is no consensus definition of loyalty, current theories often define a mix of attitudes and behaviors – that is, attitudinal loyalty and behavioral loyalty as customer loyalty’s primary elements (Dick & Basu 1994; Oliver 1999; Chaudhuri & Holbrook 2001; Melnyk et al. 2009; Watson IV, 2015).

Perhaps the most cited model of customer loyalty that depicts loyalty as a two-dimensional construct involving relative attitude and repeat patronage is the typology proposed by Dick and Basu in 1994 (Garland & Gendall, 2004). An attitude represents an association between an object and an evaluation (Dick & Basu, 1994). Attitudes have been related to behaviors, although it is important to note that a customer may have a favorable attitude toward a brand but not purchase it several times because of comparable or greater attitude toward other brands (Ajzen & Fishbein 1980). As per these authors, both a high relative favorable attitude compared to potential alternatives and repeated patronage behavior is required for true loyalty (Dick & Basu, 1994). Hence, their

conceptualization of the loyalty construct is determined by the relationship between relative attitude towards a brand, service, store or vendor and patronage behavior (Dick & Basu, 1994) (see Figure 1).

Figure 1: Dick and Basu's (1994) Framework for Customer Loyalty Relationship



Source: Dick & Basu, 1994.

However, while Dick and Basu conceptualize the loyalty construct, they do not operationalize it or provide empirical evidence of its predictive ability (Garland & Gendall, 2004). Moreover, in their study on loyalty in supermarket shopping, East, Sinclair and Gendall (2000) concluded that there was little support for Dick and Basu's loyalty typology. Their findings led them to conclude that it is better to treat loyalty as a behavioral construct alone, since behavior is of ultimate concern to marketers (Garland & Gendall, 2004).

In a replication study in the personal retail banking industry, Garland & Gendall (2004) again test Dick and Basu's model and again the results were contradictory, since this

second study does not support treating customer loyalty as purely behavioral. Hence, Dick and Basu's loyalty typology is a plausible conceptualization of an important marketing construct, yet so far it has no empirical basis, and the two studies that have tested it have produced contradictory findings (East et. al., 2000; Garland & Gendall 2004). Clearly further testing is required in order to validate the model empirically, its definitions and relationships with other constructs and the antecedents or determinant variables in this case in the retail sector which is what this document hopes to do.

Several authors argue that the relevance of the concepts of loyalty, both definitions and measures, lie in that they can be used to predict and measure customer behavior, since ultimately that is what determines company profit streams (Andreassen et al., 2008) via increased sales and even lower costs (Ostrowski et al., 1993). A highly loyal customer base can be expected to generate a very predictable sales and profit stream (Aaker, 1991). The loyalty of existing customers also represents a substantial entry barrier to competitors in part because the cost of enticing customers to change loyalties is often prohibitively expensive (Aaker, 1991). Thus, the importance of understanding each component of customer loyalty – attitudinal and behavioral – their characteristics and relationships. These two dimensions of loyalty will be discussed in the next section.

Attitudinal loyalty

An attitude represents an association between an object and an evaluation (Dick & Basu, 1994). They have been related to behaviors, although a customer may have a favorable attitude toward a brand but not purchase it because of a greater positive attitude toward

another brand (Ajzen & Fishbein 1980). Attitudes are the first element of customer loyalty (Watson IV et al., 2015; Ajzen & Fishbein 1980).

Customers are considered motivated information processors who use information to form their attitudes (Ahluwalia 2000; Moorman et al. 1993; Watson IV et al., 2015; Ajzen & Fishbein 1980). Strong, loyal attitudes result from systematic evaluations (Petty & Cacioppo 1986) and influence many customer performance – related behaviors (Park et al. 2010; Petty et al., 1995; Watson IV et al., 2015). For example, strong positive attitudes induce defensive actions in the face of competition that cause customers to resist competitive offers, even when they are objectively better (Ahluwalia 2000) or despite situational influences and marketing efforts that have the potential to cause switching behavior (Oliver, 1999; Watson IV et al., 2015).

Many researchers and consultants argue that there must be strong attitude for true loyalty to exist (Day 1969; Jacoby & Chestnut 1978; Mellens et. al. 1996; Reichheld 1996) were true loyalty is defined as a deeply held commitment to patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand purchasing despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1997) and “attitude” is conceptualized as a consistently favorable set of stated beliefs towards the brand purchased (Uncles et al., 2003).

These attitudes may be measured by asking how much customers declare they like the brand, product, store, etc., feel committed to it, will recommend it to others, and have positive beliefs and feelings about it – relative to competing brands, products, stores (Dick

& Basu, 1994). The strength of these attitudes is perhaps the key predictor of a brand's purchase and repeat patronage (Uncles et al., 2003).

The attitudinal approach considers both the emotional and psychological aspects inherent in loyalty, reflecting commitment, engagement and allegiance to a particular brand (Donnelly, 2009). Indeed, commitment has a significant role to play in attitudinal loyalty since it reflects the customers' self-appraisal of the consumption context and the subsequent active decision to engage in a long-term relationship (Evanschitzky et al., 2007).

Affective commitment involves the desire to maintain a relationship that the customer values (Morgan & Hunt, 1994), that is, the customer is loyal to the brand because he or she wants to be loyal (Donnell, 2009). There is an emotional nature to the relationship between the customer and the product or service provider – determined by underlying psychological factors – which translates into strong attitudinal loyalty (Dick & Basu, 1994; Kumar et al., 1995; Petrick, 2002; Fullerton, 2003). This is why as per the literature review, being able to form attitudinal loyalty towards a product or service must be developed over a longer period of time (Kumar & Shah, 2004; Donnelly, 2009).

The extremity of the attitude reflects the position of the object along a continuum of favorability (Ajzen & Fishbein, 1980; Dick & Basu, 1994). Although attitudes have been related to behaviors, it is important to note that a customer may have a favorable attitude toward a brand, product or store but not purchase it over multiple occasions because of a comparably higher attitudinal evaluation toward a second brand (Dick & Basu, 1994). This is why it is important from a predictive validity standpoint to use the relative attitude approach, that is, to compare brands that are viewed by consumers to be relevant in a

given consumption context (Dick & Basu, 1994). The nature of relative attitude – comparing one brand to other alternative brands - is likely to provide a stronger indication of repeat patronage than the attitude toward a brand determined in isolation (Dick & Basu, 1994).

This attitudinal approach has received much conceptual support in some particular studies on advertising or brand equity (Aaker 1996; de Chernatony & McDonald 1998). However, these conceptualizations of customer loyalty are not without criticism because there is little systematic empirical research to corroborate or refute this perspective (Oliver, 1999; Dowling 2002). Moreover, they are thought to be less applicable for understanding the buying of low-budget, low-risk, frequently-purchased brands (Dabholkar 1999; Uncles et al., 2003).

Although many definitions of attitude have been proposed, most investigators agree that a person's attitude represents his evaluation of the entity in question (Fishbein & Ajzen, 1977). In other words, attitude is an appraisal of a particular object and represents an association between the said object and its evaluation (Dick & Basu, 1994).

Attempts to predict behavior from attitudes are largely based on a general notion of consistency (Fishbein & Ajzen, 1977). It is usually considered to be logical or consistent for a person who holds a favorable attitude toward some object to perform favorable behaviors, and on the contrary, not to perform unfavorable behaviors, with respect to that same object. In that sense, the relative attitude of customer loyalty could be understood as the appraisal customers have of a product, service or brand - considering what they want and believe they get from buying and using a seller's product (Woodruff, 1997).

In addition, numerous past research studies indicate that the strength of consumers' attitudes toward a product or service can be a very good indicator of their behavioral loyalty (Evanschitzky et al., 2007; Keller, 1998; Aaker, 1996) although a few authors disagree as their studies found the contrary (Andreassen et al., 2008). This indicates that there is no consensus in the literature regarding attitudinal loyalty hence the relevance of studying the concept in depth. However, the widely accepted theory of planned behavior predicts and most prior research validates the fact that attitudinal loyalty will affect behavioral loyalty positively (Ajzen & Fishbein 1980; Chaudhuri & Holbrook 2001; (Watson IV et al., 2015).

Behavioral loyalty

The second conceptualization - loyalty as mainly expressed in terms of behavior – defines customer loyalty with reference to the pattern of past purchases barely considering underlying consumer motivations or commitment to the brand (Fader & Hardie 1996; Kahn, Kalwani & Morrison 1988; Massy, Montgomery & Morrison 1970; Uncles et al., 2003). This model is probably the most controversial but the best supported by empirical research (Uncles et al., 2003).

These studies are based on impressive amounts of market research data and analysis on purchase patterns over many years – across dozens of product categories and for many diverse countries (Uncles et al. 1994). They have found that few consumers are truly loyal or have no loyalty to any brand. Rather, most people are loyal to a portfolio of brands in a product category (Uncles et al., 2003). From this perspective, loyalty is defined as “an

ongoing propensity to buy the brand, usually as one of several” (Ehrenberg & Scriven, 1999).

Despite the weight of empirical evidence on this matter, controversy persists (Uncles et al., 2003). Those who subscribe to the ‘attitudes drive behavior’ approach expressly discard revealed behavior as a dominant measure of loyalty since it may merely reflect a particular occurrence (Uncles et al., 2003). Even combined measures of revealed behavior and satisfaction may not indicate this is due to true loyalty (Arnould, Price & Zinkhan 2002; Oliver 1999).

Customer loyalty research has used various behavioral measures which include proportion of purchase (Cunningham, 1966), purchase sequence (Kahn, Kalwani, & Morrison, 1986), and probability of purchase (Massey, Montgomery & Morrison 1970). This behavioral approach involves the customer altering his/her behavior and showing strong intentions to repurchase from one brand over alternative brands (Donnelly, 2009). Both the marketing and psychological literatures indicate that behavioral loyalty is measured by re-purchasing intentions, switching intentions and exclusively, purchasing intentions (Jones & Taylor, 2007; Donnelly, 2009).

However, these definitions don’t contemplate loyalty’s complexity and do not try to understand the factors underlying repeat patronage, which is the observed outcome. This repeat patronage behavior may be reflecting situational or personal particularities such as brands stocked by retailers, different usage situations, variety seeking, or lack of brand preferences (Dick & Basu, 1994). Thus, repeat patronage does not always mean commitment to a brand or indeed loyalty (Donnelly, 2009).

Jacoby and Chestnut (1978) and later Dick and Basu (1994), Gremler and Brown (1996), Pritchard et al. (1992, 1999) and Odin et al. (2001) among other authors criticized this behavioral approach for being vague and limited, lacking a conceptual basis and capturing only the static outcome of an organic process (Dick & Basu, 1994). As per these authors, behavioral definitions are insufficient to explain how and why customer loyalty is developed and/or modified and unable to explain the reasons or factors that may influence a consumer's purchase decision-making process as purchase frequency is the only measurement (Dick & Basu, 1994, Donnelly, 2009). They also criticize the behavioral approach for having too much of an emphasis on outcomes (Dick & Basu, 1994, Donnelly, 2009) arguing that repeat patronage is not always the result of a deep psychological commitment (TePeci, 1999; Donnelly, 2009). Definitely, the conceptualization and measurement of the loyalty concept has become more and more complex (Jones & Taylor, 2007) in the past few decades.

Patronage is often operationalized on two dimensions; shoppers' store choice and shopping frequency being store choice "the likelihood that a shopper will patronize a retailer" (Grewal et al. 2003; Kenhove et al. 1999; Woodside & Trappey 1992 and shopping frequency "the number of times a shopper patronizes a retailer during a given period of time" (Darley & Lim 1993; Korgaonkar et al. 1985).

Patronage behavior is considered the core objective and the key for success of a particular retail business (Fauzi & Muhamad, 2016) however based on the review of past literature, there are various definitions of patronage behavior and no consensus among the research community (Pan & Zinkhan, 2006). Early research in this area defined patronage behavior when customers repeat purchase, have commitment and a strong preference to purchase

at a particular store (Pan & Zinkhan, 2006). The behavior will result in loyalty. The same definition is addressed by (Osman, 1993), patronage behavior refers to repeat purchase for the same product or any other products.

A loyal customer will give priority to one particular store as compared to other stores and it will be on long term basis (East et al., 1995). Moreover, some studies have defined store loyalty or patronage behavior based on revisit behavior of the customer (Dick & Basu, 1994). Others have defined it as the store choice of a consumer based on set of evaluative criteria and store loyalty to a specific store. This definition is consistent with Bloemer and de Ruyter (1998), which defined store loyalty as the biased behavioral response expressed over time, by some decision making unit with respect to one store out of a set stores, which is function of psychological processes resulting in brand commitment (Bloemer & de Ruyter, 1998). Thus, understanding the concept of patronage is a critical issue for retail managers because it enables them to identify and target those consumers most likely to purchase (Pan & Zinkhan, 2006).

Attitude – behavior relationship

The majority of research in marketing now represents customer loyalty as a multi-dimensional construct (Donnelly, 2009) with a combination of two dimensions: the behavioral and attitudinal perspectives. The psychology literature which is focused on the pro-relationship maintenance (Rusbult et al., 1999) also suggests that loyalty is a two-dimensional concept (behavioral and combined cognitive/attitudinal) and in the interpersonal relationships literature, loyalty is two-dimensional with behavioral and

cognitive measures. Jones and Taylor (2007) found the two-dimensional representation of loyalty was consistent for all three types of services examined in their study.

Thus, loyalty captures on the one hand what the customer does (behavioral loyalty) and the psychological meaning of the relationship (attitudinal/cognitive loyalty) (Oliver, 1999). Furthermore, Pritchard and Howard (1997) argue that operationalizing both attitude and behavior in the measurement of customer loyalty significantly enhances the probability of building loyalty (Pritchard & Howard, 1997). Thus, the composite measurement approach has been used and supported as a beneficial tool to understand customer loyalty in several settings, including retail (Day, 1969; Jacoby & Kyner, 1973; Pritchard et al., 1992; Pritchard & Howard, 1997; Donnelly, 2009). Loyal customers are customers who hold favorable attitudes towards the service provider or business, committing to repurchase the product / service and recommend the product or service to others (Bowen & Chen, 2001; Donnelly, 2009).

In the retail context, store loyalty is the most important factor in business success (Anic, 2006); however, it has been conceptualized and measured in many different ways and from different perspectives (Jacoby & Chestnut, 1987) with behavioral measures such as proportion of purchase and purchase intention being the two most common constructs to measure store loyalty (Macintosh & Lockshin, 1997). As in services loyalty, other researchers argue that behavior is not enough to measure and predict store loyalty and needs to be based on an enduring predisposition or attitude (Day, 1969).

Dick and Basu's integrated perspective of loyalty (1994) with a conceptual framework based on a combination of customers' attitudes and behavior, considering both

antecedents and factors which may mediate the attitude/behavior relationship (Macintosh & Lockshin, 1997) is relevant in this particular case as well. In regards to store loyalty, the key antecedent seems to be the affective component including variables such as satisfaction and emotions about a store (Macintosh & Lockshin, 1997).

Consistent with this, customer loyalty in retail reflects a consumer's conscious decision to continue buying at the same retailer because of an underlying positive attitude and a high degree of commitment toward that particular retailer (Beerli et al., 2004). On the other hand, retail patronage behavior in this scenario would be one or more observable actions performed by the customers and recorded by the investigators (Fishbein & Ajzen, 1977) when buying a product, attending a store, using a particular retail format, and so forth.

Following this argument, in this particular industry, a positive relative attitude in regards to a retailer (attitude) would derive in a subsequent positive behavior towards this format, where the observable action is the consumer going to the store to buy products (behavior) which together form the concept of true brand loyalty (Dick & Basu, 1994).

Operationalizing behavioral and attitudinal loyalty

In this case, we will use the operationalization proposed by Bandyopadhyay (2007). To operationalize behavioral loyalty, we propose to group survey respondents into three behavioral categories – single users, (those who exhibit the highest level of behavioral loyalty as they purchase only from a single store on every purchase occasion); multiple-users, (those who exhibit an intermediate level of loyalty demonstrated by purchasing

from multiple stores; and non-users (those who exhibit the least amount of behavioral loyalty as they do not use the store even once over the study period (Bandyopadhyay, 2007).

Regarding the operationalization of attitudinal loyalty, we propose a simplified measure based on Bandyopadhyay's work (2007). Typically, attitude of a consumer towards a brand is operationalized by measuring consumer perceptions of the "overall rating" of the brand (Fishbein & Ajzen, 1975; Bandyopadhyay, 2007).

A positive brand attitude can be equated with the number of positive attributes a respondent believes the brand possesses (Bandyopadhyay, 2007). This approach is also supported by Petty and Cacioppo (1984) who posited that the number of attributes a brand is believed to possess would determine brand attitude strength (Bandyopadhyay, 2007). This hypothesis was further supported by Alba and Marmorstein (1987) who posited that the net number of positive attributes towards a brand could influence judgment and choice if no other information is available (Bandyopadhyay, 2007).

Customer perceived value

In the extant academic literature, the term "value" has appeared in several different contexts - from management strategy to economics, finance, information systems, marketing, consumer behavior, and pricing (Wikstrom & Normann, 1994; De Chertnatony et al., 2000; Normann, 2001; Donnelly, 2009). Value creation is also widely discussed in the practitioner literature and is often a part of organizations' mission statements and objectives (Sweeney & Soutar, 2001).

Although much research exists on the value concept, it still remains complex in nature (Donnelly, 2009). Still, the growing body of knowledge about customer value is fragmented and little research has addressed the value construct itself. Even the most relevant of studies have yet to yield any ambiguous interpretations of the key dimensions of value or even a widely accepted definition - despite its recognized importance (Patterson et al., 1997; Woodruff, 1997; Lapierre, 2000; Sweeney & Soutar, 2001; Wang et al., 2004; Donnelly 2009).

Even so, due to customers becoming more demanding, increased competition and the constant evolution of technology, many organizations have placed an emphasis on creating and delivering superior customer value (Woodruff, 1997; Day, 1994); with many researchers suggesting that firms should reorient their operations towards the creation and delivery of superior customer value if they are to build and sustain competitive advantage by driving customer relationship management (Slater, 1997; Donnelly, 2009). As such, customer value has turned out to be a strategic weapon in attracting and retaining customers and has become one of the key factors in the success of both manufacturing

businesses and service providers (Woodruff, 1997; Parasuraman, 1997; Donnelly, 2009). Furthermore, it is seen by many commentators as the key to long-term success, arguing that the only thing that matters in the new world of quality is delivering customer value (Albrecht, 1992; Sweeney & Soutar, 2001).

The major works modelling value so far have invariably done so in a consumer and/or retailing context (Baker, 1990; Dodds & Monroe, 1985; Dodds et al., 1991; Liljander, 1994; Patterson & Spreng, 1997). Retail customers, as in several other competitive industries are value-driven (Levy, 1999) therefore marketing managers need to understand and be able to measure what customer's value in order to focus their attention to be able to achieve this needed marketplace competitive advantage (Woodruff, 1997).

Indeed, from a retailing perspective, when retailers satisfy people-based needs, they are delivering value, which gives them a competitive advantage in the long term (Sweeney & Soutar, 2001) with the most successful retailers increasingly targeting their offers towards customers with an emphasis on value and those for whom time pressure is the key (Burden, 1998; Sweeney & Soutar, 2001) since customers in a global level are much more value conscious than they were in the mid-1990s (Sweeney & Soutar, 2001).

The most common definition of value is the ratio or trade-off between quality and price which is a value-for-money conceptualization (Cravens et al., 1988; Monroe, 1990; de Yoon et al., 2014). Despite value's importance, however, little empirical research has developed an in-depth understanding of the concept even in the retail industry where customers evaluate products before purchase (Sweeney & Soutar, 2001).

Indeed, one of the most important factors that have a significant influence on customer loyalty is customer perceived value (Nguyen & LeBlanc, 1998; Lewis & Soureli, 2006; Ruiz-Molina & Gil-Saura, 2008). It is a strategic key concept that became popular among retailers in the 1990s (Sweeney & Soutar, 2001; Sánchez-Fernández & Iniesta-Bonillo, 2007) and due to its nature and impact, will continue to receive extensive research focus in the present century (Vantrappen, 1992; Woodruff, 1997; Forester, 1999; Sweeney & Soutar, 2001; Sánchez-Fernández & Iniesta-Bonillo, 2007).

Organizations are increasingly recognizing that perceived value is a key factor in strategic management (Mizik & Jacobson, 2003; Spiteri & Dion, 2004), an imperative in building and sustaining a competitive advantage (Wang et al., 2004) with some authors observing that the creation of customer value is the reason for the firm's existence and success (Slater, 1997; Sánchez-Fernández & Iniesta-Bonillo, 2007). This because it has been established that loyalty and profits are strongly linked to the value that is created for customers (Khalifa, 2004) and the concept of customer value has become the fundamental issue to be addressed in every marketing activity (Holbrook, 1994, 1999; Sánchez-Fernández & Iniesta-Bonillo, 2007). All these studies reflect the great interest that has been generated by the phenomenon of value creation among marketing researchers in both academia and industry (Sánchez-Fernández & Iniesta-Bonillo, 2007).

Despite this wide interest, the concept of value has often not been clearly defined in studies of the subject and its conceptualization is still under debate. This lack of agreement among scholars with respect to the conceptualization and measurement of perceived value is a consequence of its somewhat imprecise nature (Sánchez-Fernández & Iniesta-Bonillo, 2007), which has been described by different authors as 'complex'

(Lapierre, 2000), ‘multifaceted’ (Babin et al., 1994), ‘dynamic’ (Parasuraman & Grewal, 2000; Woodruff & Gardial, 1996) and ‘subjective’ (Zeithaml, 1988).

Various contradictory definitions of perceived value have been offered in the marketing literature, including those of Holbrook (1999), Woodruff (1997), Zeithaml (1988) and others (see table 2) arguing specifically on whether it should be treated as a unidimensional or multi-dimensional construct (Sánchez-Fernández & Iniesta-Bonillo, 2007; Tam, 2004; Lin et al., 2006; Kalafatis et al., 2010).

The first approach considers perceived value to be a one-dimensional construct (Sánchez-Fernández & Iniesta-Bonillo, 2007). According to this perspective, customer perceived value is a single concept that can be measured by a self-reported item (or set of items) that evaluates the customer’s perception of value (Agarwal & Teas, 2002; Brady & Robertson, 1999; Chang & Wildt, 1994; Dodds, 1991; Hartline & Jones, 1996; Kerin et al., 1992; Sweeney et al., 1999, Sánchez-Fernández & Iniesta-Bonillo, 2007). This approach includes the possibility that this unidimensional construct might be determined by multiple antecedent factors, but it does not include the perspective that perceived value is a comprehensive concept formed by several other sub-components (Sánchez-Fernández & Iniesta-Bonillo, 2007).

The second approach considers perceived value a multi-dimensional construct that entails several interrelated dimensions that form an integral representation of a complex phenomenon (Babin et al., 1994; Holbrook, 1994, 1999; Mattsson, 1991; Sheth et al., 1991a; Sweeney & Soutar, 2001; Williams & Soutar, 2000). We will review both approaches in the next section.

Table 2: Definitions of customer perceived value

Author(s)	Short description	Conceptualization/dimensions of customer value
Zeithaml (1988)	A hierarchical (means-end) model of consumer perceptions of price, quality and value. Value is a trade-off between benefits and sacrifices. Benefits include intrinsic and extrinsic attributes, perceived quality, and other relevant high level abstractions. Sacrifices include monetary and non-monetary prices, such as time, energy and effort. A literature review and in-depth interviews.	Low price Whatever I want from a product The quality I get for the price I pay What I get vs what I give
Sheth et al. (1991)	Five independent consumption values that steer consumer behavior. Consumer choice is a result of these values. The concepts are empirically grounded in over 200 studies featuring different consumption situations.	Functional value Social value Emotional value Epistemic value Conditional value
Babin et al. (1994)	Shopping provides customer value instrumentally, and by being a pleasurable end itself. A questionnaire is developed for measuring personal shopping value	Utilitarian value Hedonic value
Gale (1994)	Value equals quality relative to price. Quality includes all non-price attributes. Quality, price and value are relative	“Value is simply quality, however, the customer defines it, offered at the right price.”
Butz and Goodstein (1996)	An emotional bond established between a customer and a producer after the customer has used product or service. When the customer believes that a product or service produces more benefits than the costs incurred, net customer value is perceived	Different levels of customer value Expected net value Desired net value Unexpected net value
Anderson & Narus (1998)	Considers value in business markets. Value is the monetary worth of benefits that a customer company receives in exchange for the price it pays for a market offering	Value in business markets is the worth in monetary terms of the technical, economic, service, and social benefits
Holbrook (1994, 1999) (see also 1982, 1985)	Customer value is an interactive relativistic preference experience. A typology of consumer/customer value is provided, where the value is a result of three dimensions: extrinsic/intrinsic; active/reactive self-oriented, other-oriented active/reactive	Efficiency Excellence Status Esteem Play Aesthetics Ethics Spirituality
Chandon et al. (2000)	The benefits of sales promotion are defined as the perceived value attached to the sales promotion experience, which can include both promotion exposure and usage. The multibenefit framework is conceptualized and empirically tested by using questionnaire. Utilitarian benefits are monetary savings, quality and convenience. Hedonic benefits include value expression, exploration and entertainment	Utilitarian Hedonic
Mathwick et al. (2001)	A study of experiential value reflecting the benefits of internet and catalog shopping. The four value dimensions are extracted by using Holbrook’s (1994, 1999) classification of extrinsic-intrinsic and active-reactive sources of value. A questionnaire is developed for measuring experiential value	Playfulness Aesthetics Customer ROI Service excellence
Sweeney and Soutar (2001)	A study of customers’ perceptions of value of a consumer durable good at a brand level. A questionnaire (PERVAL) is developed for measuring perceived value. Theory relies heavily on Sheth et al. (1991)	Emotional value Social value Quality/performance Price/value for money

Source: Adapted from Rintamaki et al., 2006.

Unidimensional approaches to perceived value

This influential body of research represents the origin and earlier stages of the study of the concept of perceived value (Sánchez-Fernández & Iniesta-Bonillo, 2007). As per this pioneering conception, customer perceived value is essentially considered from a functional perspective, where economic and cognitive reasoning is used to evaluate the relevant costs and benefits, based on the economic theory of the consumer and the concept

of utility (Sánchez-Fernández & Iniesta-Bonillo, 2007). According to this approach, customer perceived value is defined as the result of the comparison between perceived benefits and sacrifices by the customer (Zeithaml, 1988; McDougall & Levesque, 2000) where value is defined in terms of the quality–price relationship but the empirical operationalization of the construct considers these elements as antecedents rather than components of value (Sánchez-Fernández & Iniesta-Bonillo, 2007).

Of these, one of the more commonly cited definitions is that supplied by Zeithaml (1988), who defined value as “the consumer’s overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given”; that is a comparison of the “get” and “give” components in the transaction for products and services (Sweeney & Soutar, 2001). The most common such definition of value is the ratio or trade-off between quality and price (Chain Store Age, 1985; Cravens et al., 1988; Monroe, 1990; Sweeney & Soutar, 2001) which is a value-for-money conceptualization (Sweeney & Soutar, 2001). These two components - quality and price - have different and differential effects on perceived value for money (Sweeney & Soutar, 2001).

Although the unidimensional perspective possesses the merit of simplicity it does not reflect the complexity of consumers’ perceptions of value, failing to take proper consideration of the numerous intangible, intrinsic and emotional factors that form part of the construct (Sánchez-Fernández & Iniesta-Bonillo, 2007). Thus, this traditional definition of value as a cognitive trade-off has been described by other authors as ‘summarized’ (Sweeney et al., 1996) and ‘narrow’ (Mathwick et al., 2001) considering trade-off models to be too simplistic for consumption experiences in that they ignore the

multi-dimensionality of the construct (de Ruyter et al., 1997; Mathwick et al., 2001; Mattsson, 1991; Sweeney & Soutar, 2001; Sánchez-Fernández & Iniesta-Bonillo, 2007).

These authors have argued that customer perceived value is a multidimensional construct in which a variety of notions such as perceived price, quality, benefits, and sacrifice are all embedded (Babin et al., 1994; Holbrook, 1994, 1999; Mathwick et al., 2001, 2002; Sinha & DeSarbo, 1998; Sweeney & Soutar, 2001; Sánchez-Fernández & Iniesta-Bonillo, 2007).

Multidimensional approaches to perceived value

Compared with the unidimensional approach to perceived value, fewer studies have pursued a multi-dimensional approach (Sánchez-Fernández & Iniesta-Bonillo, 2007). Still, the view that treating consumer value as a multi-dimensional construct dominates current research (Kalafatis et al., 2010). The most relevant and followed multi-dimensional conceptualization which dominates empirical studies according to the literature review is Sheth et al.'s (1991a) theory of consumption values (Sweeney & Soutar, 2001). The theory of consumption values (Sheth et al., 1991a) states that the complex consumer choice process entails a variety of forms of value (Sánchez-Fernández & Iniesta-Bonillo, 2007). These forms of value can be categorized as functional, hedonic, social, epistemic, and circumstantial (Sheth et al., 1991a).

Sheth et al.'s theory has been tested empirically over 200 times and adapted to particular industries and study contexts. Some of the most cited contributions include analyzing the direct effect of the dimensions of perceived value on attitudinal and behavioral

components of loyalty in mobile telephony services (Pura, 2005), Williams and Soutar' (2000) study which analyzed the proposed dimensions of value in a tourism context. Using the consumption-value theory, Sweeney et al. (1996) developed measures for the three dimensions of value in the original multi-dimensional scale – functional, social, and emotional and later Sweeney and Soutar (2001) developed the popular PERVAL model, which is a measurement scale of consumers' perceptions of the value of durable goods. Wang et al. (2004) also adapted the framework suggested by Sweeney and Soutar (2001) but included sacrifices other than price – that is, non-monetary factors such as time, effort, and energy (Sánchez-Fernández & Iniesta-Bonillo, 2007).

Regarding all the unidimensional and multi-dimensional approaches in the value literature, Sheth et al.'s proposal has been one of the approaches that have contributed more to the study of the nature of perceived value. Having reviewed the various multi-dimensional approaches to be found in the literature, the present study concludes that Sheth et al.'s consumption value theory, which captures functional, hedonic, social, epistemic and circumstantial components of perceived value, is the most comprehensive approach to the value construct as it defines a complex multi-dimensional structure for the concept which has been tested empirically in many more cases than other approaches.

Therefore, this proposal can be considered to be one of the most important contributions to the study of perceived value and additionally very useful, interesting, and challenging (Sánchez-Fernández & Iniesta-Bonillo, 2007). Their work provides the best foundation for extending existing value constructs as it was validated through an intensive investigation of the variety of fields in which value has been discussed, including economics and social and clinical psychology (Sweeney & Soutar 2001). The five

dimensions of Sheth et al.'s theory of consumption values and their relationships with perceived customer value and customer loyalty will be addressed in detail later on.

Theory of consumption values

The theory of consumption values dominates conceptualizations of consumer perceived value (Kalafatis et al., 2010). It is a contemporary model that explains why customers prefer a specific product or brand. In today's competitive marketing environments, it is very important for businesses to understand customer behavior properly and this model developed by Sheth et al. (1991a) is one of the most up-to-date models that explain customer's preference processes (Candan & Yildirim, 2013).

The theory of consumption values seeks to explain customer's purchasing preferences positing that customers who have different values can be categorized and these values can be important motives in purchasing decisions (Pope, 1998; Candan & Yildirim, 2013). It explains why customers prefer one brand over another, why customers buy certain products or not, in different product categories whereas physical or not physical products, industrial goods and services (Sheth et. al., 1991b; Candan & Yildirim, 2013).

This broader theoretical framework of perceived value developed by Sheth et al., (1991b) regards customer choice as a function of multiple consumption value dimensions where these dimensions make varying contributions in different choice situations (Sweeney & Soutar 2001). The authors identify five values (or dimensions or components of value) that influence consumers' choices, which together embody the theory of consumption

values construct (see Figure 3) (Sheth et al., 1991a; Lin et al., 2006; Sánchez-Fernández & Iniesta-Bonillo, 2007; Kalafatis et al., 2010).

Functional value relates to whether a product or service is able to perform its functional, utilitarian, or physical purposes (Sheth et al., 1991a). On the other hand, the hedonic value refers to various affective states, which can be both positive and negative (Sánchez-Fernández & Iniesta-Bonillo, 2007). The social value refers to portraying an image that is congruent with the norms of a consumer's friends or associates and/or with the social image the consumer wishes to project on others (Sheth et al., 1991a; Sánchez-Fernández & Iniesta-Bonillo, 2007). The epistemic value has to do with a desire for knowledge, whether this is motivated by intellectual curiosity or the seeking of novelty (Sheth et al., 1991a; Sánchez-Fernández & Iniesta-Bonillo, 2007) and finally, the circumstantial value which refers to the fact that some market choices are contingent on the situation or a set of circumstances customers have to face (Sheth et al., 1991a; Sánchez-Fernández & Iniesta-Bonillo, 2007). We will review each one in depth in the following section.

Figure 3: The five dimensions of the theory of consumption values.

Dimensions	Description
Functional / Utilitarian Dimension	The consumer's overall assessment of the utility of a product / experience based on perceptions of what is received and what is given according to the microeconomic idea of utility.
Social Dimension	Related with consumers' reference groups. The symbolic feeling of identity and belonging derived from having a product or living an experience.
Emotional / Hedonic Dimension	Affective nature of the evaluation of a buying or consumption act.
Epistemic Dimension	Preference or search for new experiences or consumption know how. Associated with the value of novelty, innovation and surprise.
Circumstantial Dimension	Functional or social value of a specific consumer decision moderated by particular circumstances and time. For example determining the value of a medicine in a period of sickness.

Source: Adapted from Sheth et al., 1991a.

Utilitarian or functional value

The functional dimension derives from a product's intrinsic capacity for functional, utilitarian or physical performance, that is, its ability to fulfill the function it has been created to provide (Sheth et al., 1991a). Functional value can also be described as the benefit obtained from the product related to its performance, reliability, price and soundness (Xiao & Kim, 2009). The assumption that preferences are made by taking functional value into account is derived from financial pragmatic theory (Candan & Yildirim, 2013). This theory suggests that preferences are made to obtain maximum benefit in a situation. A consumer who is about to decide to buy a product or not makes a decision by focusing on whether he needs the features of that product or not (Sheth et.al., 1991a).

Hedonic or emotional value

On the other hand, the hedonic dimension refers to extrinsic aspects of consumption in terms of a product's ability to arouse feelings or affective states (Sheth et al., 1991a; Dick & Basu, 1994; Sweeney & Soutar, 2001; Turel et al., 2010).

Emotional values can emerge in consumption preferences in positive ways such as loyalty, nostalgia and excitement and in negative ways such as fear, anger and guilt (Sheth et al., 1991a). Other authors such as Tauber (1972) and Westbrook and Black (1985) studied customer motives for shopping based on sensory stimulation while Babin et al.

(1994) refer to adventurous aspects of shopping as a factor that may produce hedonic shopping value.

Social value

The social dimension is defined as the customer perceived utility acquired from a product's association with a particular demographic, cultural or social group (Kalafatis et al., 2010). This obtained social benefit can be positive or negative depending on demographic, socio-economic and cultural (ethnic) groups (Sheth et al., 1991a). Reference group represents the group of individuals with whom a person can compare his values, attitudes and behaviors (Candan & Yildirim, 2013).

In terms of marketing perspectives, reference groups may influence individuals' consumption preferences (Schiffman & Kanuk, 1997). On the other hand, opinion leaders are important players in persuading consumers to purchase products via interpersonal interactions and oral communication (Sheth et al., 1991a). Rogers & Shoemaker (1971) describe opinion leaders as individuals who have the ability to influence people's attitudes and behaviors in the desired ways (Candan & Yildirim, 2013).

Epistemic value

The epistemic dimension is defined as a product's ability to arouse curiosity, provide novelty or satisfy a desire for knowledge (Sheth et al., 1991a; Holbrook, 1994; Sweeney & Soutar, 2001). It can be described as "the benefit perceived and obtained from the need and desire for curiosity, need for knowing and innovation" (Sheth et al., 1991a).

The search for innovation and variety are listed among the main motives of human behaviors in literature (Candan & Yildirim, 2013). Curiosity and the need for experiencing new things are explained in motivation theories as incentives existing in human nature (Candan & Yildirim, 2013). Therefore, it is widely accepted by marketing experts that consumers purchase preferences are affected by the incentives of “innovation and searching for variety” (Candan & Yildirim, 2013).

As a result of studies conducted, it has been observed that consumers’ behaviors of changing brands, search for variety and tendency for trying products are associated with exploratory purchasing behaviors (Sheth et al., 1991a). When consumers who have a tendency for innovative purchasing are examined, it has been found that these customers have exploratory tendencies and are searching for variety (Hirschman, 1980).

Circumstantial or conditional value

Finally, the circumstantial dimension derives from a product’s ability to provide a temporary functional or social value in a specific situation or context and consequently is contingent on the particular circumstances facing a consumer at the point of choice (Sheth et al., 1991a; Kalafatis et al., 2010). Consumer behaviors are influenced by individuals’ interactions with the conditional factors (Belk, 1974). Time, place and context are regarded as the basic determinants for the description of conditional factors (Hansen, 1972; Belk, 1974). In this context, Sheth et al. (1991a) described this value as the benefit perceived or obtained in a certain condition the person making a preference comes across (Candan & Yildirim, 2013). The benefit that is provided by the circumstantial value derives from external factors because the factors changing the consumers’ behaviors and

influencing their purchase decisions emerge as a result of a condition caused by the exterior environment (Candan & Yildirim, 2013).

Several authors have described conditional value as being derived from a temporary functional or social value (Sheth et al., 1991a; Sweeney & Soutar, 2001). This means that it arises when situational factors, such as an illness or some specific social situation, moderate the perceived value-outcome process (Sweeney & Soutar, 2001). Hence, circumstantial value has been described in the literature as a specific case of other types of value and a lower level construct, less critical to the study of perceived customer value. We have not been able to find a single study that analyzes this value dimension much less one that operationalizes and measures it. Consequently, after much reflection, this aspect was not included and the proposed model and hypotheses were based on four dimensions only: utilitarian, hedonic, social and epistemic values.

According to Sheth et al. (1991b), this theory rests on three fundamental propositions: (i) that consumer choice is a function of multiple consumption dimensions; (ii) that these forms of value make differential contributions in any given choice situation; and (iii) that the forms of value are independent of each other (Sheth et al., 1991b; Sánchez-Fernández & Iniesta-Bonillo, 2007; Kalafatis et al., 2010). This means that all or any of the consumption dimensions presented in 1991 by Sheth et al., in their theory of consumption values framework may influence a decision and can contribute additively and incrementally to customer choice (Sheth et al., 1991b; Dick & Basu, 1994; Turel et al., 2010; Kalafatis et al., 2010).

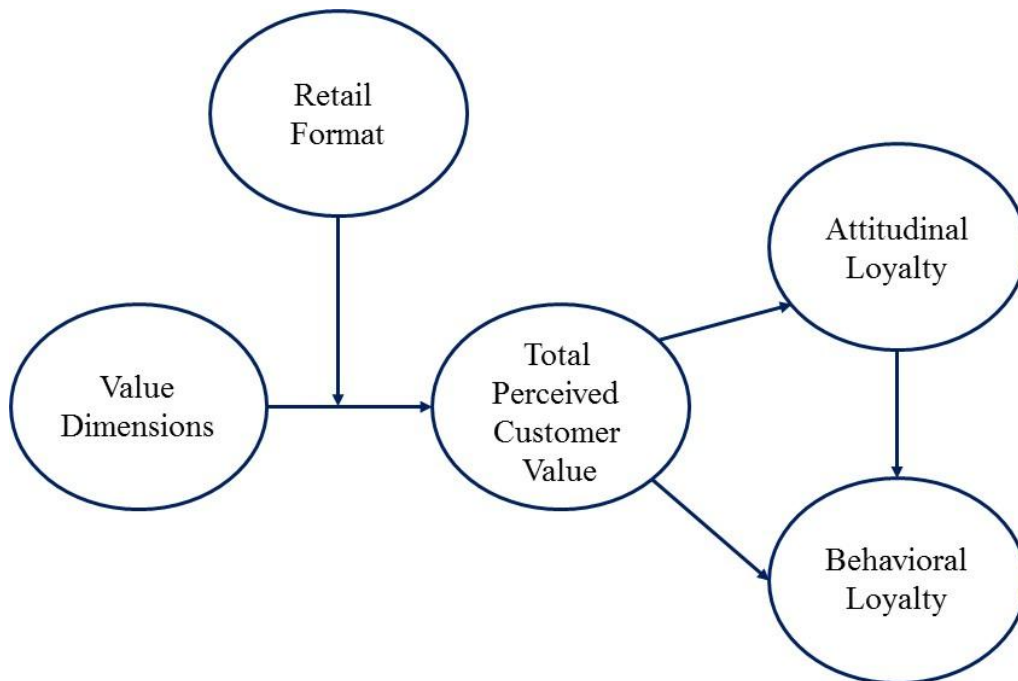
Proposed conceptual model and hypotheses

The purpose of this research is to study the factors besides functional aspects to explain why, if modern formats are superior from a functional perspective, many customers in emerging countries continue to patronize various traditional retail formats, especially the neighborhood *mom and pop* groceries and specialty stores (Goldman & Hino, 2005). We want to analyze the importance and relevance of both functional and *other* factors that determine customer perceived value and their relationships with customer loyalty – both attitudinal and behavioral - for different retail formats.

Our literature review builds on literature related to the retail industry, customer perceived value and customer loyalty as context of our investigation. The conceptual framework, integrates theories from attitude-behavior psychology posited by Fishbein and Ajzen (1975, 1977, 1980) with Dick and Basu's conceptual model (1994) and Sheth et al.'s consumption values theory (1991a) proposal which theorizes that value perceptions, which drive purchase decisions, are based on five independent consumption values.

This proposal adapts the model posited by Sheth et al. (1991a) to a retail setting and incorporates insights from Dick and Basu's (1994) and Sweeney and Soutar's (2001) conceptualizations of how these diverse factors can influence consumers' perceptions on different retail formats and diverse demographic factors and how these perceptions, in turn, affect retail customer loyalty (see Figure 4).

Figure 4: A framework for customer loyalty in retail



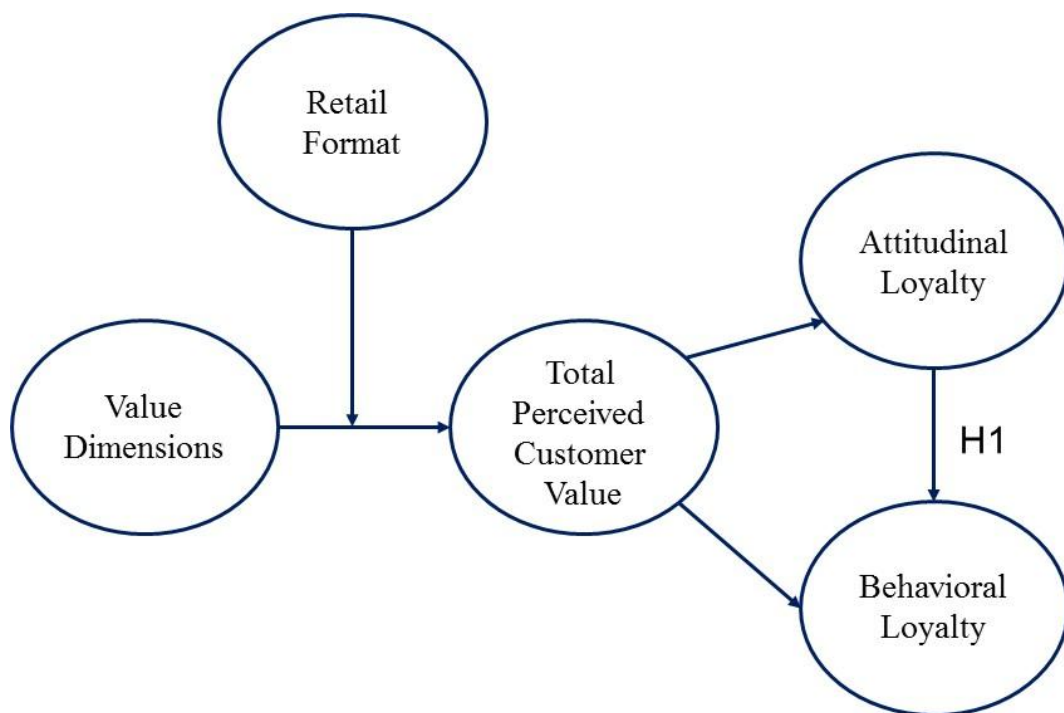
Source: Based on Dick and Basu's conceptual model (1994) and Sheth et al.'s consumption values theory (1991a).

Total perceived value is a sum of five value dimensions which means it is a formative construct. That is, in each situation, the customer evaluates the possibility of buying a product, brand, or attending a particular store and at that point each of the value dimensions is part of the customer's decision process. The customer makes an evaluation of the item in question (brand, product, store, etc.) as per the different values the item provides the customer and makes his or her decision.

Retail literature points that the three aspects that are most studied in the retail industry are customer perceived value, customer loyalty and patronage behavior which is conceptualized here as the behavioral component of customer loyalty (Dick & Basu, 1994; Goldman et al., 2002; D'Andrea & Lunardini, 2005; Reardon et al., 2005; Hino 2014).

Regarding the relationship between attitudinal and behavioral loyalty, it is usually considered to be logical or consistent for a person who holds a favorable attitude toward some object to perform favorable behaviors (Fishbein & Ajzen, 1977). Additionally, the majority of past research studies indicate that the strength of consumers' attitudes toward a product or service can be a very good indicator of their behavioral loyalty (Evanschitzky et al., 2007; Keller, 1998; Aaker, 1996). Moreover, the widely accepted theory of planned behavior predicts and most prior research validates the first hypotheses that posits that attitudinal loyalty will affect behavioral loyalty positively (Ajzen & Fishbein 1980; Chaudhuri & Holbrook 2001; (Watson IV et al., 2015). Thus,

H1: Attitudinal loyalty positively affects behavioral loyalty.



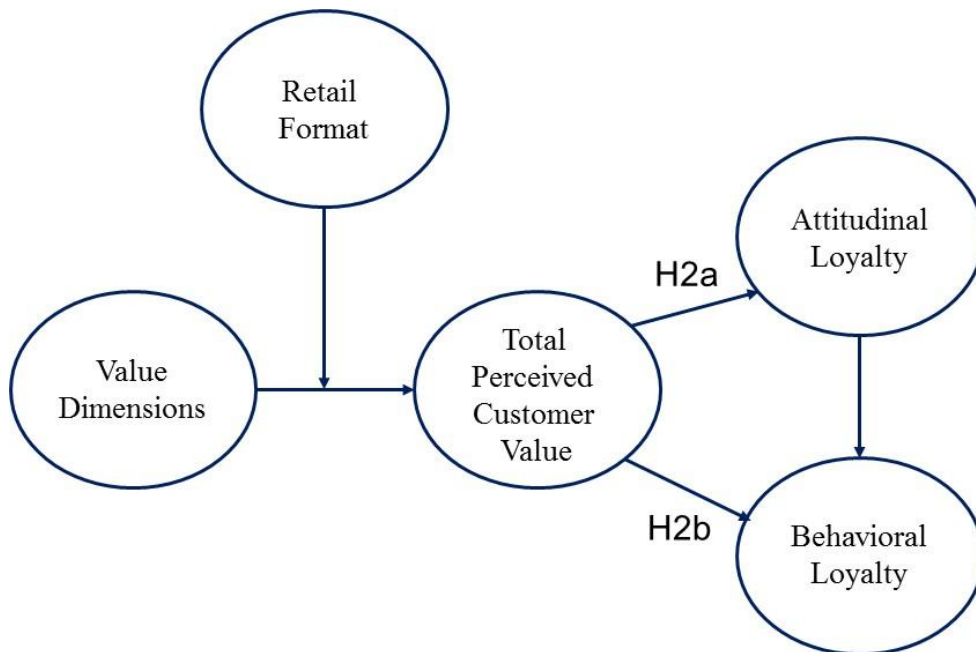
In addition, there is evidence that customer loyalty is determined by customer perceived value (Patterson & Spreng 1997; Eggert & Ulega 2002; Cronin et al., 1997; Sweeney et al. 1997; Brady & Robertson 1999; Patterson & Spreng 1997; Tam, 2004). In fact, as per

our literature review, prior empirical research has identified customer perceived value as a major determinant of customer loyalty in retail (Sirdeshmukh et al., 2002). Chang and Wildt (1994) report that customer perceived value has been found to be a major contributor to purchase intention – that is behavioral loyalty.

Regarding attitudinal loyalty customer perceived value considers a series of intrinsic and emotional factors that form part of the construct (Sánchez-Fernández & Iniesta-Bonillo, 2007). However there is no consensus in whether there is a direct relationship between customer perceived value and each one of the dimensions of customer loyalty or whether this relationship is mediated by other constructs (Oliver, 1999; Ruiz-Molina & Gil-Saura, 2008). Hence, in view of the existing empirical evidence and lack of consensus, it is proposed that:

H2a: Attitudinal loyalty will be positively influenced by customer perceived value, and

H2b: Behavioral loyalty will be positively influenced by customer perceived value.

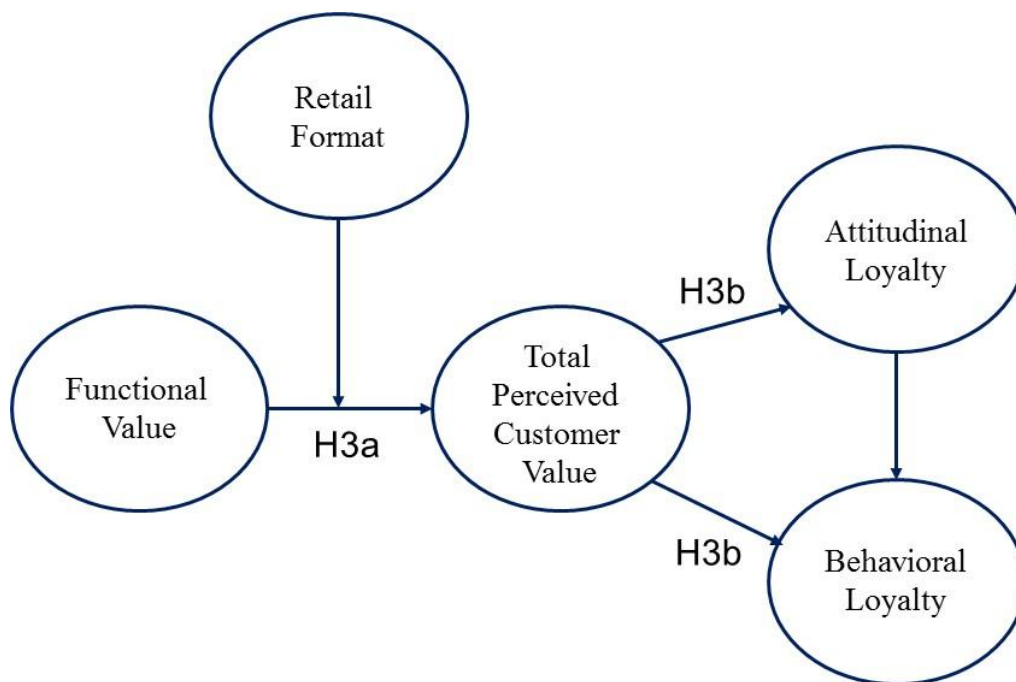


Despite the importance of retail customer loyalty and other related constructs, no empirical work has attempted to assess all the different factors that determine customer perceived value and customer loyalty. Furthermore, most studies have focused on analyzing one dimension – functional aspects – which is not only a limited vision but an error, if we consider the complexity of true customer loyalty from both an attitudinal and behavioral perspective (Jacoby & Chestnut, 1978; Bloemer & Kasper, 1995).

Indeed, a number of studies have found a direct relationship between functional aspects of stores and customer loyalty (Koo, 2003; Sirgy et al., 2000; Wakefield & Baker, 1998). A few others have studied hedonic aspects and social aspects of retail formats but none have studied all the additional dimensions of value nor have they compared or analyzed why - if modern retail formats are superior regarding functional aspects of the customer perceived value construct - many customers in emerging countries still prefer to buy their groceries at traditional retail formats. We hypothesize customer's value other aspects such as hedonic, social and epistemic dimensions and we analyze their relative importance and relationship with customer loyalty – both attitudinal and behavioral.

It has been found that customers driven by functional values tend to pay more attention to store attributes (Dawson et al., 1990; Arnold & Reynolds, 2003). Therefore, modern retail formats with higher quality store attributes will be more likely to stimulate customers' functional motivations (Nguyen, 2006) and therefore its perceived value in comparison with traditional retail formats where functional attributes are less relevant, hence:

H3a: The impact of functional values on modern retail formats' perceived customer value will be stronger than the impact of functional values on traditional retail formats.



The functional dimension derives from a store's intrinsic capacity for utilitarian performance, that is, the benefit obtained from the store related to its performance, reliability, price and convenience (Sheth et al., 1991a; Xiao & Kim, 2009). It derives from the financial pragmatic theory which suggests that preferences are made to obtain maximum benefit in a situation (Candan & Yildirim, 2013). Therefore, a consumer who is deciding which store to buy from will make a practical decision by focusing on whether he needs the features of that store or not (Sheth et.al., 1991a).

On the contrary, attitudinal loyalty needs commitment, trust and a sense that customers are in a pleasurable long-term relationship rather than a passing transaction (Palmatier et al. 2006). Therefore functional value should have stronger effects on behavioral loyalty than on attitudinal loyalty; additionally, it would be interesting to validate this hypothesis in different retail formats.

Thus,

H3b: Functional value will have stronger positive effects on behavioral loyalty than on attitudinal loyalty.

As per the theory of consumption value (Sheth et al., 1991a) consumer choice is a complex process which entails a variety of forms of value besides functional aspects: hedonic, social, epistemic, and circumstantial values (Sheth et al., 1991a; Sánchez-Fernández & Iniesta-Bonillo, 2007).

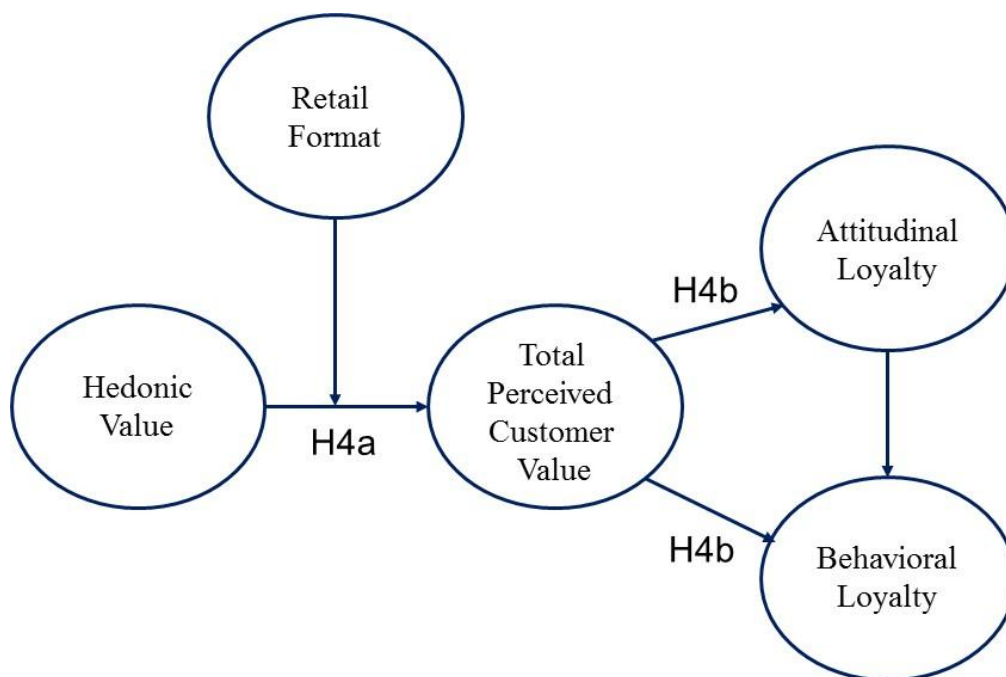
Hedonic aspects in the context of the retail industry became a topic of interest among consumer researchers in the early-1980s (Rintamäki et al., 2006) when the consumption experience or act of shopping is appreciated in its own right irrespective of getting planned purchases done (Rintamäki et al., 2006). This experiential view highlighted three F's – fantasies, feelings and fun – that according to several authors represent the hedonic aspects of consumption that relate the multisensory, fantasy and emotive aspects of one's experience with products and services (Hirschman & Holbrook, 1982).

Entertainment and exploration are considered to contribute to hedonic value (Rintamäki et al., 2006). More so, many researchers compare today's shopping experience to that provided by a theme park, theater, show or other event (Pine & Gilmore, 1999; Schmitt, 1999), where overall store atmospherics make the shopping experience more entertaining and thus provide hedonic customer value (Babin & Attaway, 2000; Chandon et al., 2000; Holbrook, 1999; Pine & Gilmore, 1999; Schmitt, 1999; Turley & Milliman, 2000). In this sense, shopping becomes an adventure, creating enjoyment from such activities as

window shopping, browsing, bargain hunting, variety seeking, touching, trying and browsing products, and visiting different departments (Babin et al., 1994; Sandikci & Holt, 1998; Hausman, 2000; Rintamäki et al., 2006).

In addition, it has also been found that shoppers driven by hedonic values tend to pay more attention to store attributes (Dawson et al., 1990; Arnold & Reynolds, 2003). Therefore, modern retail formats with higher quality store attributes than traditional retail formats will be more likely to stimulate shoppers' hedonic motivations. Thus,

H4a: The impact of hedonic value on modern retail formats' perceived customer value will be stronger than the impact of functional values on traditional retail formats.



Hedonic aspects relate to the customer experience or act of shopping where fantasies, feelings and fun generate the multisensory and emotive aspects of one's shopping experience (Hirschman & Holbrook, 1982). Entertainment and exploration are considered to contribute to hedonic value (Rintamäki et al., 2006) comparing today's shopping experience to that provided by a theme park, theater, show or other event where overall

store atmospherics make the shopping experience more entertaining (Pine & Gilmore, 1999; Schmitt, 1999).

Attitudinal loyalty includes displaying an emotional attachment formed with the service provider that leads to a state of willingly and consistently being in this relationship – for the long term. Strong, loyal attitudes result from systematic evaluations (Petty & Cacioppo 1986) and include defensive actions in the face of competition that cause customers to resist competitive offers, even when they are rationally and objectively better (Ahluwalia 2000; Park et al. 2010; Petty et al., 1995; Oliver, 1999; Watson IV et al., 2015).

Thus, hedonic value should have stronger effects on attitudinal loyalty than on behavioral loyalty; again, it would be interesting to validate this hypothesis in different retail formats.

H4b: Hedonic value will have stronger positive effects on attitudinal loyalty than on behavioral loyalty.

“Social shopping,” refers to the enjoyment of spending time with friends and family, socializing and bonding with others while shopping (Arnold & Reynolds, 2003). It is grounded in McGuire’s (1974) collection of affiliation theories of human motivation (Sorokin, 1950), which collectively focuses on people being altruistic, cohesive, and seeking acceptance and affection in interpersonal relationships (Arnold & Reynolds, 2003).

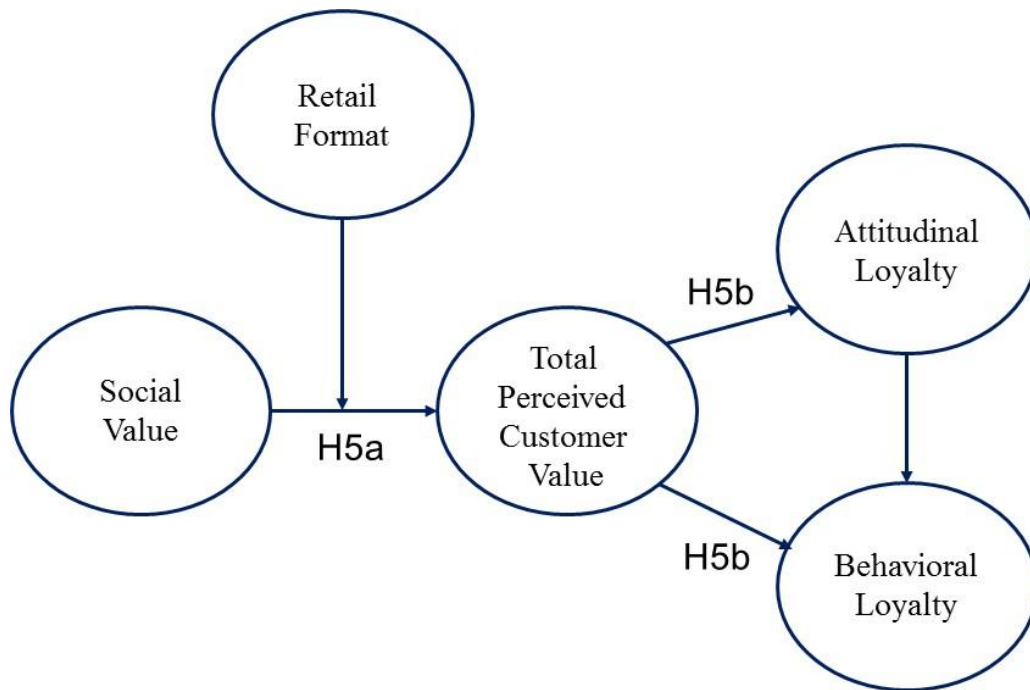
In regards to the theory of consumption values (Sheth et al., 1991a), the social dimension is defined as the customer perceived utility acquired from a product’s association with a

particular demographic, cultural or social group (Kalafatis et al., 2010). From this perspective, shopping represents a social act where symbolic meanings, social codes, relationships, and the consumer's identity and self - is portrayed (Firat & Venkatesh, 1993; Rintamäki et al., 2006). This means that patronizing a particular store that has certain store attributes/atmospherics as well as buying and using certain products and/or brands depends on how a customer wants to be seen and/or how he wants to see himself (Erdem et al., 1999; Sheth et al., 1991a; Sirgy et al., 2000; Sweeney & Soutar, 2001).

In other words, the act of shopping can provide a symbolic benefit, as customers are able to express their personal values through the consumption experience (Chandon et al., 2000) which in turn may enhance their status and/or self-esteem, which contributes to social value (Rintamäki et al., 2006).

Status enhancement is a benefit obtained by using symbolic features in communicating signs of position or membership to others (Rintamäki et al., 2006; Babin et al., 1994; Richins & Dawson, 1992). Individuals who engage in status enhancement are mainly concerned with what kind of impression they give to others (Browne & Kaldenberg, 1997; Rintamäki et al., 2006). On the other hand, self-esteem enhancement is a benefit experienced when symbolic features derived from the shopping experience (store, products, personnel and other customers) are attached to self in order to define and maintain one's concept of self (Rintamäki et al., 2006). Thus,

H5a: The impact of social value on modern retail formats' perceived customer value will be stronger than the impact of social value on traditional retail formats.



The social dimension of consumption refers to the “social act”, emphasizing the importance of products and services as a means of the diverse social roles that people play (Belk, 1988; Solomon, 1983; Rintamäki et al., 2006). Shopping is a social act where symbols, social codes, relationships and the consumer’s identity and self is produced and reproduced (Firat & Venkatesh, 1993; Rintamäki et al., 2006). Therefore, patronizing a store that has certain attributes/atmospherics or buying and using certain products or brands depend on how a customer wants to be seen (status enhancement) and/or how she wants to see himself/herself (self-esteem enhancement) (Erdem et al., 1999; Sheth et al., 1991a; Sirgy et al., 2000; Sweeney and Soutar, 2001; Rintamäki et al., 2006).

In this sense, the act of shopping provides a symbolic benefit as customers express their personal values, their status within society and their self-image through the retail shopping experience – even in situations where one is “window shopping” at expensive stores, probably with little intention and capacity of purchasing - but the process of doing so enhances one’s status and/or self-esteem, which contributes to social value and in turn

to total customer value (Belk, 1988; Solomon, 1983; Chandon et al., 2000; Rintamäki et al., 2006).

Individuals that engage in status enhancement are characterized as high self-monitors, who are mainly concerned with what kind of impression they give to others (Browne and Kaldenberg, 1997) whereas those who engage in self-esteem enhancement relate symbols derived from the store to themselves in order to define and maintain “who they are” (Belk, 1988; Csikszentmihalyi, 2000; Holbrook, 1999, 2001b; Solomon, 1983; Rintamäki et al., 2006).

However, customers in both situations don't have to engage in actual purchase behaviors in order to enhance their status or self-esteem. Furthermore, some customers go shopping to spend time with their family or friends, to interact with salespeople or other customers, to gaze and be gazed upon rather than focusing on purchasing (Rintamäki et al., 2006; Davis & Hodges, 2012).

In this case, drivers of loyalty such as social value that enhance a customer's evaluation of the exchange (in this case in relation to their status and self) has a stronger effect on attitudinal than on behavioral loyalty (Watson IV et al., 2015). Again, it would be interesting to validate this hypothesis in different retail formats. Thus,

H5b: Social value will have stronger positive effects on attitudinal loyalty than on behavioral loyalty.

Epistemic and circumstantial values are both temporal in nature and enhance the value of the service in a certain situation (Pura & Gummerus, 2007). Earlier research has treated

both either as lower level constructs contributing to utilitarian, hedonic or social value (Chandon et al., 2000; Rintamäki et al., 2006), or modeled them as one of several dimensions comprising value realized from a consumer good (Sweeney & Soutar, 2001). However in this study, we conceptualize the total value of retail formats as having all five dimensions posited by Sheth et al. (1991a) and we propose that, in the retail industry, both epistemic and circumstantial value merit treatment as separate constructs because modeling it in that manner will test their relevance in the shopping domain (Rintamäki et al., 2006). Furthermore, if supporting evidence is realized, both concepts would add conceptual clarity to the total customer perceived value construct.

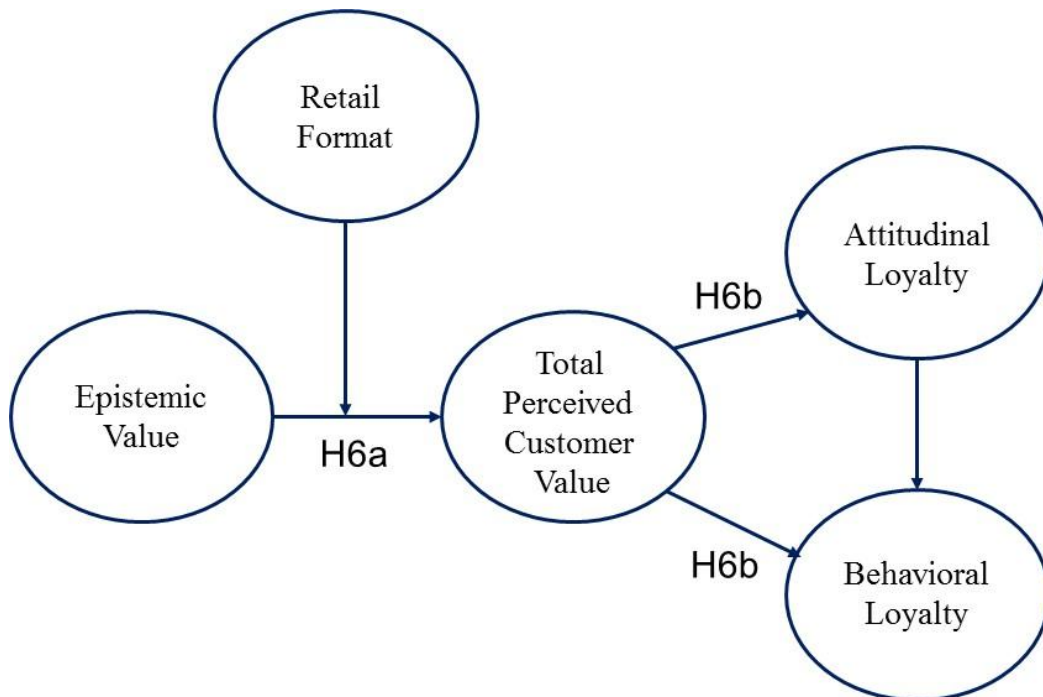
The epistemic dimension is defined as a product's ability to arouse curiosity, provide novelty and innovation or satisfy a desire for knowledge (Sheth et al., 1991a; Holbrook, 1994; Sweeney & Soutar, 2001). Curiosity and the need for experiencing new things are explained in motivation theories as incentives existing in human nature (Candan & Yildirim, 2013) which translate to consumers' behaviors such as changing brands, searching for variety and the tendency for trying products (Sheth et al., 1991a; Hirschman, 1980). Some customers shop to keep up with the latest trends and new fashions, and to see new products and innovations that are available (Arnold & Reynolds, 2003). This value corresponds with Tauber's (1972) personal shopping motive of learning about new trends and keeping informed about the latest trends in fashion, styling, or innovations.

The epistemic value refers to customers shopping for stimulation, the sheer excitement, thrills, stimulation, and excitement, adventure of the shopping experience and feeling of entering a different universe of exciting sights, smells, and sounds (Arnold & Reynolds, 2003). In this case, it's grounded in stimulation theories (Berlyne, 1969) and expressive

theories (Huizinga, 1970) of human motivation as described by McGuire (1974). These theories are externally oriented, and stress the need for stimulation and self-expression through play and creativity among human organisms. This is similar to prior findings which show that customers often seek sensory stimulation while shopping (Arnold & Reynolds, 2003).

Due to their nature and characteristics, modern retail formats encompass the characteristics needed to stimulate the senses, provide innovation and allow customers to experience new things (Candan & Yildirim, 2013). Modern retail formats are ideal platforms to stimulate and provide excitement to the shopping experience (Sheth et al., 1991a; Hirschman, 1980). Thus,

H6a: The impact of epistemic value on modern retail formats' perceived customer value will be stronger than the impact of epistemic value on traditional retail formats.



According to earlier literature, the primary trigger for purchase may be curiosity about a new product, novelty or variety-seeking (Hirschman 1980; Sheth et al., 1991a; Pihlstrom,

2008). However, customers who are motivated by epistemic value often return to their regular consumption patterns after satisfying their need for change (Sheth et al., 1991a; Pihlstrom, 2008).

Novelty is generally seen as a positive aspect that creates curiosity and interest in new products and services. In the psychology literature, novelty-seeking has also been referred to as experiential behavior, which in the retail industry can translate to browsing stores without a specific goal in mind or “window shopping” in order to spend time and entertain oneself without necessarily buying (Pihlstrom, 2008).

Futhermore, some previous research results indicate that novelty aspects may even negatively influence overall perceived value and indirectly behavioral intentions in the case of more traditional customers for example (Donthu & Garcia, 1999; Duman & Mattila, 2005; Pihlstrom, 2008), thus:

H6b: Epistemic value will have stronger positive effects on attitudinal loyalty than on behavioral loyalty.

Design and research method

The purpose of this research is to study the importance and relevance of both functional and *other* factors that determine customer perceived value and their relationships with customer loyalty – both attitudinal and behavioral - for different retail formats.

The study's empirical research will take place using a quantitative research method through a transversal study that will employ questionnaires for the data collection in two samples.

Sample

The universe we want to study is composed of customers who make their household purchases at different retail formats in emerging markets specifically supermarkets representing modern retail formats and mom and pop stores representing traditional formats. Data for the study will be collected via questionnaires based on Rintamäki et al.'s 2006 study, administered over a few weeks with two different samples, one administered to customers at supermarkets representing modern retail formats and the second one to customers at mom and pop stores, representing traditional retail formats.

Regarding sample characteristics, respondents will be selected using convenience sampling, which is a non-probability sampling method that in this case will consider age, gender, income household and education level of participants as control variables.

Regarding sample size, most researchers for studies were SEM is used recommend using sample sizes of between 5 and 10 cases per parameter (Kline, 2011; Hair et al., 2016;

Iacobucci, 2010; Weston & Gore, 2006). In this particular case, considering 4 dimensions and that each one has 3 items, sample size will be 200 customers for each sample – 200 individuals for modern retail formats and 200 for traditional retail formats.

Control variables

Control variables traditionally used in studies related to perceived customer value in retail formats include mostly socio- demographic variables such as gender (Audrain-Pontevia & Vanhuele, 2016; Ryu et al., 2012; Rintamäki et al., 2006; Gallarza & Gil Saura, 2006) age, (Audrain-Pontevia & Vanhuele, 2016; Ruiz Molina et al., 2010; Rintamäki et al., 2006; Gallarza & Gil Saura, 2006) and to a lesser extent household income (Ryu et al., 2012; Oh, 1999; Yang & Peterson, 2004), education level (McDougall & Levesque, 2000), occupation (Audrain-Pontevia & Vanhuele, 2016), marital status and ethnic background (Ryu et al., 2012) as control variables.

In the present study, we will use four of them as control variables: gender, age, household income and education level. Gender and age were selected because as per the literature review, those are the two control variables used the most in retail studies. Using them in this study will allow the author to be able to compare and contrast results with previous studies. Income and education level were added because a sample of studies that have included them in the past have had contradictory results. Some of them have demonstrated that income and education level do have an influence on customer choice when deciding which format – modern or traditional – to buy from whereas other studies have not. The author found these contradictions interesting and wanted to explore these variables in an emerging market grocery retail context.

Data collection and instruments

The survey will cover four dimensions of customer perceived value: the functional, hedonic, social and epistemic values as well as customer loyalty (to the store), and demographic information including gender, age (using five age groups, household income (using five range groups) and education level.

Data collection will be done through questionnaires used or adapted from previous empirical research. The primary questionnaire is based on Rintamäki et al.'s 2006 study (see Appendix 1) which was designed using theory on customer motivations and values together with results from qualitative research which was in turn conducted in order to identify significant shopping benefits, customer value dimensions and their relation to the customer value formation process (Rintamäki et al., 2006). This proven questionnaire will be used for the case of utilitarian, hedonic and social values.

Considering that this instrument was written first in Finnish and then translated to English it will be necessary to apply the two way translation procedure to translate the items to Spanish and back to English, together with specific posterior actions in order to attain clarity in terms of content and correct interpretation for all consumers considering socio demographic characteristics (Muñiz, Elosua & Hambleton, 2013).

For the last value dimension - epistemic value - and its corresponding items there is no existing previous empirical research, hence no questionnaire has been previously created or used. For this dimension we will use qualitative research through theme interviews

using a laddering technique recommended by Woodruff (1997) and Vriens and Hofstede (2000).

The interviewees will be asked first to describe the purpose of their shopping trip and the main purchases made in order to determine if it is a periodic or spontaneous purchase. Then we will ask them to evaluate whether or not the shopping experience matched their needs and expectations and what were the positive and negative aspects of their shopping experience.

Finally, we will ask more specific statements that reflect the perceived benefits of the shopping experience in order to capture utilitarian, hedonic, social and epistemic value dimensions.

A five-point Likert scale response format will be used in the data gathering. Using only benefit constructs and not measuring sacrifices may be a limitation, but a common way to proceed when value dimensions are investigated (Mathwick et al., 2001; Chandon et al., 2000).

Reliability and validity

The study will verify the conditions to ensure the four key types of validity: internal validity, external validity, construct validity and statistical validity. Internal validity is relevant in this study because it includes the analysis of relationships of cause and effect indicated in the hypotheses presented before; considering that each of the dimensions studied: utilitarian, hedonic, social and epistemic values act as independent variables,

total customer perceived value as a second order construct and both attitudinal and behavioral loyalty as dependent variables.

Several aspects of data collection in particular will be carefully considered. One objective will be to minimize memory-based bias for example; in order to attain this objective, we will survey customers in person, immediately after the shopping experience has taken place by interviewing them outside of either the traditional or the modern retailers. A shopping experience that took place minutes ago is easy for respondents to recall which would not be the case if data gathering had been by telephone or e-mail surveys (Rintamäki et al., 2006).

Concerning the reliability of the instruments in the proposed study, the author will use Alpha's Cronbach to guarantee the quality of the measures and ensure that these are consistent and repeatable considering the directions postulated in Cortina's (1993) and Schmitt's (1996) studies.

Construct validity will be verified through the review and adaptation of the instruments used in order to measure and operationalize the constructs included in the present study taking into account methods for analyzing construct validity such as the ones proposed by Bagozzi et al., (1991), Fornell and Larcker (1981) for unobservable variables, Bagozzi and Yi (1988) and Gerbing & Anderson (1988) on structural equation models and Churchill Jr., (1979) specifically for marketing constructs.

The study will apply principal components factor analysis as well as correlation testing between variables to be particularly detailed and observe the requisites to attain content validity, concurrent validity, convergent validity and discriminant validity.

Statistical validity will be ensured by validating the quality of the statistical model used that is the most appropriate for this particular research proposal, taking into account the direction proposed by Ellis (2010) as well as Cohen et al., (2013) and Cumming (2013).

Considering the recommendations posited by Podsakoff et al., (2003) on common method biases in behavioral research and Jarvis et al., (2003)'s critical review of construct indicators and measurement model misspecification specifically in marketing and consumer research, it will have to be verified if there are any alternative causes that may explain the observed results.

In this study, the data will be analyzed using structural equation modelling techniques (SEM), specifically using Mplus software (Muthén & Muthén, 2010), as the use of SEM is commonly justified in the social sciences because of its ability to impute relationships between unobserved constructs (latent variables) from observable variables such as the ones presented in this particular case.

Limitations and future research

We expect our findings to support our four dimensions' conceptualization of total perceived customer value and that each dimension is an independent construct. We also expect the different dimensions to vary in their influence on total value and both attitudinal and behavioral loyalty per each of the moderating variables: gender, age, household income, education level.

Regarding circumstantial value, situational factors were acknowledged while analyzing product and brand choices in retail settings as early as the 1960s in the consumer behavior field (Belk, 1974) and social psychology field (Rokeach, 1973; Pihlstrom, 2008). It was also incorporated in Sheth et al's (1991a) consumption values framework which is based on a thorough literature review in several fields. Sheth et al. (1991a) incorporate situational, transient characteristics to depict the changing conditions that influence choice behavior and labelled it circumstantial value. It is traditionally divided into four subcategories depicting time, location, access and uncertain conditions (Pura & Gummerus, 2007; Pihlstrom, 2008).

This dimension has been previously used in perceived value literature and works to describe the nature of conditions under which services may be used compared to other alternatives in certain situations (Sweeney & Soutar, 2001; Pihlstrom, 2008; Pura & Gummerus, 2007) however it has never been operationalized. Probably, this is because it is difficult to incorporate context variables into a research model and to suggest how they influence total perceived value because many times, the context cannot be easily identified or measured, since it varies according to the situation (Dey, 2001). Although

measuring the situational effect is challenging without established methods for assessing the importance and nature of the situational effects, it is more important to extend studies of customer behavior to include these types of circumstances, especially in theoretical models that assess attitudes, personality and loyalty (Belk, 1975; Pihlstrom, 2008). Therefore, we suggest further, more qualitative studies are needed in order to understand the characteristics and idiosyncrasies of this value dimension in order to fully understand how it works and hopefully develop a scale that will allow us to measure it properly.

Regarding limitations, although this study will be carried out by surveying actual customers in two contexts – traditional and modern retail formats – the results need to be interpreted considering the following caveats:

- (a) The data collection will be done regarding grocery shopping only for simplification matters. Therefore, we should be cautious to generalize the results to other areas of retailing such as clothing, etc. This will be obtained by surveying customers outside supermarkets that limit their offering to groceries and mom and pop stores only.
- (b) Even if the first part of the questionnaire for this study has been used and validated before, the last part used to measure epistemic values will be crafted by using qualitative methods such as interviews with customers and will have to be validated and tested further.
- (c) In general, the use of questionnaires and statistical methods of analysis is often criticized when studying experiential and symbolic aspects of consumption

(Rintamäki et al., 2006). The conceptualization of some constructs both in the present study and in future research might benefit from a more detailed use of qualitative methods, such as in-depth interviews.

(d) As mentioned before, sacrifices will not be conceptualized nor measured in this study, only benefits which is a clear limitation but may also be considered an interesting path for future studies.

(e) This research will rely on a single survey in one country: Peru, specifically in Lima. Hence, it would be useful for other researchers with access to similar data to examine the phenomenon further in other contexts.

(f) Both loyalty and total customer value will be self-declared measures and measured in terms of the customer's perception; it would be interesting to use perhaps a more objective measurement that could detect even more subtle influences on loyalty.

(g) It would be important to include cultural characteristics in future research on these topics because even if in the literature there are significant numbers of studies that do explore this factor as determinant of customer value and loyalty (Hino, 2014, Goldman & Hino, 2005), due to its complexity and multiplicity researchers are only just beginning to understand why, how and where it exerts its influence.

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Appendix 1

Questionnaire (to be translated from English to Spanish – considering original questionnaire is in Finnish)

A five-point Likert scale response format will be used in the data gathering.

MSA - I saved money when I shopped here.

MSB - I made inexpensive purchases.

MSC - I got my purchases done cheaper than if I had made them elsewhere.

COA - I was able to get everything I needed at one stop.

COB - I was able to shop without disruptive queuing or other delays.

COC - I was able to make my purchases conveniently.

STA - Patronizing this store fits the impression that I want to give to others.

STB - I am eager to tell my friends/acquaintances about this shopping trip.

STC - I feel that I belong to the customer segment of this store.

SEA - I found products that are consistent with my style.

SEB - I felt like a smart shopper, because I made successful purchases.

SEC - This shopping trip gave me something that is personally important or pleasing for me.

ENA - I enjoyed this shopping trip itself, not just because I was able to get my purchases done.

ENB - I was having fun.

ENC - In my opinion, shopping around was a pleasant way to spend leisure time.

EXA - I felt adventurous and wanted to visit different departments in order to find interesting products.

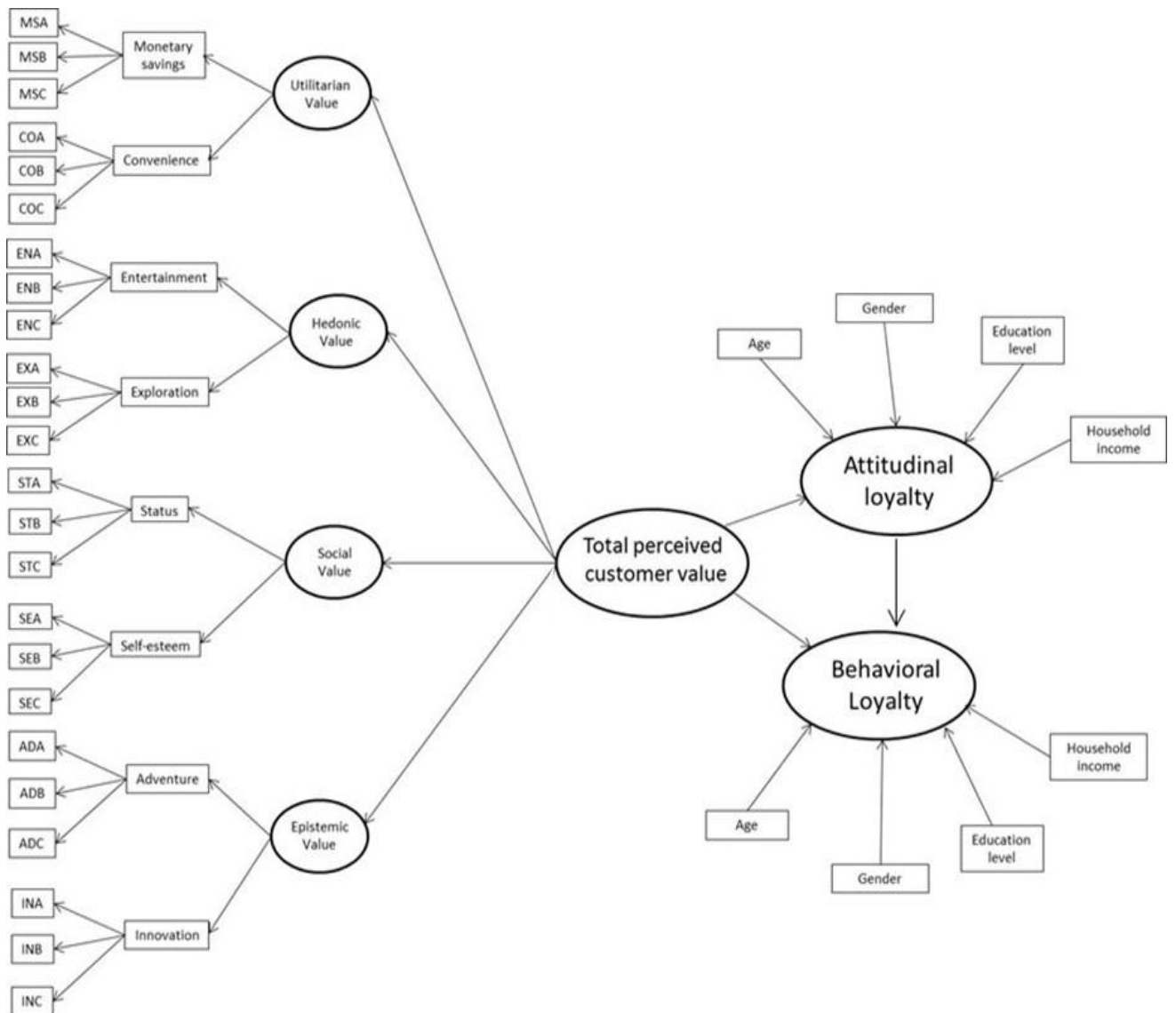
EXB - I was looking for insights and new ideas to buy.

EXC - I wanted to explore/touch/try different products while shopping.

ADA, ADB, ADC, INA, INB, INC (*)

(*) To be developed after doing the qualitative research part of the study.

Appendix 2



Source: own elaboration, based on Rintamaki et al., 2006.