

Conference paper

Title:

The relationship between price satisfaction
and customer experience in Austrian
grocery retailing

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Abstract

Currently it is difficult to explore, why customers purchase at a particular retailer. In Austrian grocery retailing the price has been the main point of distinction between the players in the market for some years. But if the price is a main factor in competition, all companies in the market have to be competitive in this perspective. Therefore the price alone does not explain the customer's choice of a retailing location nor does it explain store switching behaviour. It follows that other aspects of a retailer's offer influence the customer. These other factors can be described as customer experience (CE). When it comes to the drivers of customer experience in retailing various studies have been conducted focussing on specific parts of the customer experience. Very little research has been directed at a holistic view of the CE. The goal of the dissertation is to explore to what extent price perception and the perception of a customer experience influence the customers choice of a specific retailing chain or a specific outlet in the Austrian grocery retailing industry.

Customer Experience

Customer Experience (CE) is one of the concepts in retailing literature, which together with Customer Experience Management (CEM) gained more attention in recent studies (Grewal et al. 2009, Puccinelli et al. 2009, Verhoef et al. 2009). The main aspect of these concepts is that they try to determine how customers perceive the aspects of a companies offer and how to influence these perceptions. In this context CE can be defined as „every point of contact at which the customer interacts with the business, product, or service“ (Grewal 2009). Comparatively few articles have dealt with creating a concept which covers all aspects of CE (Kerin et al. 1992, Jones 1999, Meyer 2007). The majority of articles concerning CE have dealt with the individual aspects of CE and will in this text now be further explained.

One of the most recent articles by Verhoef et al. (2009) describes a holistic concept to approach CE and CEM. They define seven factors, which in addition to moderators specific to a situation or customer, influence the perception of CE by customers (Verhoef et al. 2009). The seven factors include social environment, service interface, atmosphere, price, assortment, experiences with other distribution channels and brand experiences. These seven factors will now be further explained. The first factor is described as social environment and describes the personal environment of a customer, interaction with service personnel and other customers as well as being a member of a group of customers (Baker et al. 2002, Luo 2005, White and Dahl 2006). Service interface describes what kind of impression the services of a retailer, the service personnel and the technology give to

customer (Meuter et al. 2005, Weijters et al. 2007). In the concept of CE atmosphere consists of perceptions concerning design, scents, temperature and music in a specific retail store (Baker et al. 2002, Kaltcheva/Weitz 2006). By the definition of Verhoef et al. the factor of price in the concept of CE is defined by the way customers perceive loyalty programmes and discount policies (Gauri et al. 2008, Noble/Phillips 2004). Assortment includes the variety, uniqueness and quality of products located in the store (Janakiraman et al. 2006). Experiences in alternative channels include experiences with other retailers or with different channels of the same retailer. Brand experience focuses on customer perceptions of the retailers brand and on the perception of the policy concerning e.g. national brands.

Other concepts of CE focus more on the moderators mentioned in the concept of Verhoef et al. (Puccinelli et al. 2009). These moderators include goals, memory, involvement, attitudes, affect, atmospherics and attributions. For further research in this dissertation the concept of Verhoef et al. will provide the background of CE. The articles of Verhoef et al. and Grewal et al. give an indication, that aspects of pricing have direct influence on CE and on customer satisfaction. Therefore a further aspect of the dissertation will deal with the perception of prices in relation the perception of value drivers in the concept of CE.

Price Satisfaction

CE demonstrates a way to determine the perception of customers concerning the value drivers of a retailer's offer. In addition to this concept it is essential to capture the created value for a company. The way to capture this value is, to set prices at a level, which elevates the company's profit, but also satisfies the customers need. To measure the acceptance and satisfaction of customers regarding the setting and display of prices, the concept of price satisfaction has been established in various research studies (vgl. Simon/ Pohl 1996, Diller/ That 1998, Pohl 2004, Rothenberger 2005). These studies have shown, that price satisfaction can be measured by a multi attribute approach (vgl. Matzler 2003, Matzler et al 2006 and Rothenberger 2005), and can be measured in all cycles of a buying process (Pohl 2004).

Introduced in a study in 1998 the concept of price satisfaction has been established by Diller and That (Diller/ That 1998). They demonstrate the importance of price satisfaction for overall satisfaction. Furthermore they explain the concept of price satisfaction with five sub – factors. These include price transparency, price-quality ratio, relative price, price confidence and price reliability. In this study price fairness, the best known concept in relation to price satisfaction is not included. Matzler 2003 later includes Price fairness in the holistic concept

of price satisfaction and the whole concept is proven valid in studies by Pohl and Rothenberger (Pohl 2004, Rothenberger 2005).

The six sub – factors which explain Price satisfaction are show in the following table:

Dimension	Definition	Description
Price transparency	Clear, comprehensive, current and effortless overview about a company's quoted prices	Transparency of price Price advisory service Completeness, accuracy and directness of price information Clearness/comprehensibility of price information
Price-quality ratio	Ratio or trade-off between quality of the service and monetary costs	Perceived quality compared to the price paid
Relative price	Price of the offer compared to that of competitors	Price difference compared to competitors' offers
Price confidence	Customers' certainty that the price is favorable	Transparent, constantly low relative prices
Price reliability	Fulfilment of raised price expectations and prevention of negative "price surprises"	Price constancy No hidden costs Proper and timely communication of price changes
Price fairness	Consumers' perception of whether the difference between the socially accepted price or another comparative party is reasonable, acceptable, or justifiable	Correlation of price to the socially accepted price No abuse of market power in price setting No price discrimination

The concept of price satisfaction has so far predominantly been a subject of research in German studies. But there are some international studies which deal with relating topics. These studies include for example Voss, Parasuraman and Grewal (1998), Varki and Colgate (2001), Cao, Gruca and Klemz (2004) and Lympelopoulos and Chaniotakis (2008).

Research Questions:

„Which psychological aspects of pricing influence the customer experience in Austrian grocery retailing?“

One goal of the dissertation is to determine which aspects of price satisfaction influence the price satisfaction with a particular retailer. Furthermore it will be determined to what extend price satisfaction influences overall satisfaction and how strong this influence is compared with the influence of customer experience.

„How constitute a customer experience in Austrian grocery retailing?“

Concerning CE it will have to be determined, which of the by Verhoef et al. defined factors of CE influence the experience in the Austrian grocery retailing sector. Combined with the first question it will have to be determined how and to what extent price satisfaction and satisfaction with the CE influence overall satisfaction, store loyalty and share of wallet.

Study

In order to test the hypothesis and to determine the influence of customer experience and price satisfaction on overall satisfaction two separate studies are proposed. In the first study a series of interviews with customers of Austrian grocery shoppers will be conducted. These interviews will be conducted by aides in front of convenient stores. In these interviews customers will be presented with a questionnaire to determine their perception of the drivers of customer satisfaction. To make a comparison between the self-described satisfaction drivers and the actual purchase behaviour of an individual customer, the aides will be required to obtain the receipt of the customer and link it to the respective questionnaire. By using this procedure, it will be possible to determine the perception of marketing actions and the attitude of a customer towards the convenient store and the retail chain. On the other hand it will be possible to determine the actual purchase behaviour. It will be of special interest, to what extent for example unsatisfied customers continue purchasing at a specific location and why they are doing it. There are various goals to this first study. First it will be a larger pre-test for the questionnaire of the second study, which is supposed to be more reliable to show actual purchase behaviour. But second, the design of the study will aim at creating a representative sample, which can be used as a comparison study for the second study. The goal for this study is to obtain 700 responses from customers with the responding receipts attached.

The second study itself will be conducted via an online access panel. Using this procedure has various benefits. First in an already existing panel all demographic data are already known and must therefore not be asked by the respondents. When taking into consideration, that consumers become increasingly annoyed with large questionnaires, the resulting shortening of the questionnaire will prove beneficial. A further benefit is that the characteristics of the customers selected from the access panel can be customized. Therefore specific features of the groups of people could be selected, for example customers from a specific vendor or gender and location of the customer. The last major benefit is that the response rate for these kinds of questionnaires in this panel is about 100%. In a second step it is proposed, that behavioural and attitudinal data will be merged by linking the

answers of the respondents of the online panel with their respective purchase data from their loyalty card. In order to be able to achieve this goal, the corresponding loyalty card numbers of the respondents must be known. Then via these numbers the questionnaire with the self-described attitude towards the company can be linked to the actual purchasing behaviour. For the study the purchasing behaviour over a time frame of one month will be evaluated. Due to the frequent necessity to purchase grocery goods, a larger timeframe would not lead to improved results. The goal for the second study is to question 700 to 1000 customers. The customers will be shoppers from the same convenient store chain as in the first study.

The crucial point for both studies and one of the main reasons, why two studies will be conducted, is the difficulty of obtaining attitudinal and behavioural data through the same study. Both studies are designed to retrieve the proposed data, but only the execution of the studies will show, whether and which study can produce a representative sample. A special difficulty comes with questioning Austrian customers, which are more secretive with personal data than customers in other European countries. If it proves impossible to link attitudinal and behavioural data, the intention to shop at a specific location will be determined by using self-reported share of wallet. Rust, Zeithaml, and Lemon (2000) used this method to calculate Customer Lifetime Value (CLV) and Customer Equity via survey data. But to assess future sales for the calculation of CLV and Customer Equity, the use of actual purchase data would prove beneficial. The evaluation of the entire construct, which includes customer experience, price satisfaction, customer satisfaction and customer loyalty, will be conducted using Partial Least Squares.

The dissertation should lead to various implications in the field of behavioural pricing and customer experience. Research concerning price satisfaction has so far been relatively limited and there have been only a few empirical studies. With the dissertation further understanding for the concept of price satisfaction will be achieved. The dissertation will bring more light to the way price satisfaction interacts with experience satisfaction and how it can be influenced. In the field of CE few empirical studies have been conducted to test a holistic approach. Finally for the field of customer loyalty and the share of wallet the research will show, how behavioural and attitudinal loyalties in the grocery sector differ from one another. For practitioners the studies will provide profound insights into the drivers of behavioural and attitudinal loyalty. It should provide insight into how customers perceive the pricing scheme of a retailer. As shown with the concept of price satisfaction, there can be various influences into how prices are perceived. With the concept of customer experience it will be possible to explore the drivers of customer satisfaction in grocery retailing which can be influenced by the company.

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