2.1 Perceived Shopping Value

The value concept has been used in a wide range of diverse disciplines, such as economics, accounting, finance, strategy, production, management, and marketing (Wilson and Jantrania 1994). In the field of economics, value finds a place within the context of exchange, that is, a goods’ value to a consumer is represented by the price that the consumer is willing to pay and the relationship between that price and the utilities or satisfaction the goods provides (Richins 1994). In the field of marketing, value is also researched mostly in the exchange context, but more from the point of view of consumers’ perceptions of value when faced with choices of products or services to purchase (Richins 1994). According to Rokeach (1973, p. 5), value is, “...an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode conduct or end-state of existence.” Further elaborating, values are the fundamental determinants for the selection and maintenance of the goals or ends toward which individuals strive, while at the same time regulating the manner in which the strive takes place (Vinson, Scott, and Lamont 1977). In turn, these values have been found to affect various aspects of consumption behaviour and attitudes (Becker and Connor 1981; Donthu and Cherian 1992; Prakash and Munson 1985).

This value conceptualization has been linked to consumer’s perceptions towards market transactions. Payne and Holt (2001) proposed that simply viewing value as part of an individual transaction process is not viable but value is created and changed over time as a
result of an ongoing series of transactions. Several different names have been used in the literature to explain similar demand-side notions of value. To name a few among these, “consumer value” (Holbrook 1999; Woodruff 1997), “consumption value” (Sheth, Newman, and Gross 1991), “net consumer value” (Butz and Goodstein 1996), “perceived service value” (LeBlanc and Nguyen 1999), “expected value” (Huber, Herrmann, and Morgan 1997), and “buyer value” (Slater and Narver 1994). Woodruff (1997) consolidated on several of these value concepts to define consumer value as a “consumer’s perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate achieving the consumer’s goals and purposes in use situations.” Woodruff (1997) concluded that perceived value occurred at various stages of the purchase process, and therefore, perceptions of value can be generated before the product or service acquisition and its use.

2.2 Conceptualizations of Perceived Shopping Value

In the marketing literature, the role of consumer value on consumer’s behaviour has been revised and re-examined at length (Bolton and Drew, 1991; Boyd and Levy 1963; Holbrook and Corfman 1985; Lai 1995; Treacy and Wiersema 1993; Woodruff and Gardial 1996; Woodruff 1997; Zeithaml 1988). A thorough review of the extant literature on the conceptualisation of value reveals its multifaceted and highly fragmented nature. There are many conflicting points of view and consequently, there is no widely accepted way of putting all the views together (Woodruff 1997). The definition of value varies with a wide range of usages in accordance with research contexts and researchers (Dodds and Monroe 1985; Zeithaml 1988). In most of the cases, the concept of value is related to an individual’s enduring beliefs. Conceptualizations of consumer value can be grouped into three broad categories: value component models, benefits-cost ratio models, and means-ends models.
2.2.1 Value Component Models

Value component models are based on the characteristics of the products or services. Joiner (1994) as well as Rust and Oliver (2000) have confirmed that the perception of consumer value is based on the disconfirmation model prevalent in consumer behaviour literature and it includes three components of value, namely, dissatisfiers, satisfiers and delighters. Dissatisfiers are the features of a product or service that ought to be present and are generally taken to be granted (for example, the availability of the desired product on the shelf when a consumer goes for shopping in a store). Since these features are expected from a product or service, their presence brings a consumer to the neutral point but their absence frustrates the consumer (Khalifa 2004). Satisfiers are the characteristics of a product or service that apart from being expected are also explicitly requested for by the consumer. In simpler terms, a consumer may expect to exercise choice in the mode of payment (cash, credit, or instalment). In this case, if the retailer or service provider accepts only cash or debit card, it may disappoint the consumer. However, allowing the consumer to use any method of payment will not only satisfy the consumer but may even provide evidence for consumer delight. Delighters are the novel features of a product or service that the consumers do not expect to be provided for. When the retailer or service provider’s offering exceeds the consumer’s expectation, and then the consumer is delighted. These characteristics do not have a negative effect if they are absent but lead to a positive state when present.

Kaufman (1998) has classified value elements as utility value, exchange value and esteem value. Utility value is the primary value element that describes the performance of the product. Exchange value is the basic drive behind the consumer’s desire for a product or service. Esteem value appeals to the consumer’s desire to own the product. Any one or a combination of these elements influences the consumers to make their purchase decision. Value component models of consumer value lays emphasis on the benefits perceived by a
consumer in a product or service. This model does not take into account the costs incurred by the consumers to acquire such benefits. Furthermore, the author has not explained as to why a set of benefits may invoke varied value judgments from different consumers.

2.2.2 Benefit-Cost Ratio Models

The benefit-cost ratio models are based on the concept of what the consumer gets when compared with what he gives (Day 1990; Dodds, Monroe and Grewal 1991; Jacoby 1971; Ostrum and Iacobucci 1995; Monroe 1990; Zeithaml 1988). This theory of the value construct defines value as a trade-off between the total benefits received versus the total sacrifices made by the consumers (Buzzell and Gale 1987; Monroe 1979, 1990; Monroe and Krishnan 1985). Zeithaml (1988, p. 14) has defined value as, “the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given.” Monroe (1990, p. 46) further defined value as, “the buyer’s perception of value represents a trade-off between the quality or benefits they perceive in the product relative to the sacrifice they perceive by paying the price.”

According to Holbrook (1994), the emphasis is on acquiring practical, utilitarian, and instrumental utility from a product or service in this trade-off and it does not take into consideration the monetary or non-monetary nature of the sacrifices. Therefore, the traditional knowledge of value can be viewed as a more functional definition of value that is derived from the consumer’s analysis of multiple functional benefits such as specific product attributes and the technical utility a product offers (Jacoby 1971; Lai 1995; Shavitt 1992; Zeithaml, 1988).

Day (1990, p. 142) put forward that value can be expressed in terms of an equation, i.e., consumer perceived benefits – consumer perceived costs = consumer perceived value. Value conceptualization under this model is not restricted to utilitarian benefits alone. Groth
(1994) proposed that consumers buy products or services not only for utilitarian purposes but also for psychic need fulfilment. These psychic needs can be both internal (for example, consumer’s own perceptions of value independent of the opinions, suggestions, influences, and approval of others) as well as external (for example, consumer’s formation of perception because of the opinions, influences, suggestions and approval of others). Both these factors can be real or perceived.

2.2.3 Means End Models

The means-end models are based on the hypothesis that consumers acquire products or services (means) in order to accomplish favourable ends (personal values considered important). Woodruff (1997) has laid emphasis to the fact that consumers perceive products or services as bundles of attributes and attribute performance. Consumers form preferences for certain attributes of products or services based on its ability to facilitate the desired end goals.

Many researchers in have laid stress on the total consumption experience in their conceptualization of value. According to Hirschman (1984), consumption of a product or service provides the consumers with cognitive and sensory benefits. This cognitive consumption leads to the tangible benefits derived from performing utilitarian functions, whereas, sensory consumption is the emotional reward that a consumer derives from the product or service (Holbrook and Hirschman 1982).

2.3 Operationalization of Consumer Value

Shopping can provide both task related (product acquisition) or hedonic value through responses evoked during the experience (Babin, Darden, and Griffin 1994, p. 645). Value of a product or service is dependent on its role in creating a favourable consumption experience
(Holbrook and Hirschman 1982). To create and maintain lasting relationships with one’s consumers, marketers need to go beyond the price and quality mix to provide experience-based value (Spiegelman 2000). Holbrook and Corfman (1985, p. 40) have defined value as, “an interactive relativistic preference experience... characterising a subject’s experience of interacting with some objects. The object may be anything or event.” To be more specific, value involves an interaction between a subject (such as a consumer) and some object (such as a product or service). Value is considered to be relativistic as it is comparative (based on ranking of objects), personal (differing among people), and situational (dependent on the context in which an evaluation is made) (Holbrook 1986). Value necessitates a preference which implies a certain degree of relative affective response.

Through an extensive review of existing literature at that time, Zeithaml (1988) identified four common definitions of the term, namely, “low price,” “whatever I want in a product,” “the quality I get for the price I pay,” and “what I get for what I give” (p. 13). The first two definitions of Zeithaml (1988) stress value’s prime role to be in the exchange process by representing the trade-off between costs and benefits. In this light, value is, “what I get for what I give” (Zeithaml 1988, p. 13) and this definition has been the foundation for price-quality studies (e.g., Rao and Monroe 1989). According to her, the importance of benefits varies across consumers (i.e., some may want prestige, while others want low price or convenience) as well as the importance of costs also varies (i.e., some are concerned primarily with money, others with time or effort). Although what is received and what is given varies across consumers, yet, value “represents a tradeoff of the salient give and get components” (Zeithaml 1988, p.14). The benefit components of value contain salient intrinsic attributes, extrinsic attributes, perceived quality, and other aspects such as convenience and appreciation while the sacrifice components of perceived value include both monetary prices and non-monetary prices such as time, energy, and effort to obtain products and services.
The earliest studies in this domain also viewed value and price to be isomorphic (Sewall 1901). The fourth and the last conceptualisation equates value with an overall assessment of subjective worth that considers all relevant evaluative criteria. Here, value is, “...all factors, both qualitative and quantitative, subjective and objective, that make up the complete shopping experience (Zeithaml 1988, p. 13). To capture all the four definitions of value, Zeithaml (1988, p.14) defined perceived value as, “the consumer’s overall assessment of the utility of a product based on the perception of what is received and what is given.” In other words, this definition reflects value’s subjective nature. From the above discussion it can be concluded that value is provided not only by the product acquisition but by the complete shopping experience.

The present study has also considered value in the same manner as conceptualised in the fourth definition of Zeithaml (1988, p. 13) from the experiential perspective and therefore, it has been recognised that value is related intimately to hedonic responses. To simply define shopping value as functional and objective product acquisition is too narrow to reflect the complete shopping experience (Hirschman and Holbrook 1982). Furthermore, value pertains not to an object, but rather to the whole consumption experience that involves extrinsic value or intrinsic value of the object (Holbrook 1986). Although the hedonic experiences in shopping are often considered being more important than mere product acquisition, the festive, epicurean or ludic side of shopping has been researched less often (Bloch and Bruce 1984; Sherry 1990). According to Holbrook (1994) consumer value has extended itself, beyond the boundary of the physical product by characterizing value as a consumer’s experience resulting not from the acquisition of an object (i.e., goods, service, person, place, thing, event or idea) but rather from the consumption of its services (i.e., its use or appreciation). Therefore, usefulness as well as an emotional appreciation of shopping can indicate value. Thus, shopping experience can evoke value by either successfully
accomplishing its utilitarian goal or by providing hedonic enjoyment (Babin, Darden, and Griffin 1994). Traditional shopping experience measurements have failed to reflect the total value of the shopping experience as these measurements have not recognized and measured many intangible and emotional costs and benefits (Bloch and Richins 1983; Hirschman 1984; Holbrook 1986). Furthermore, hedonic and utilitarian values are two distinct characteristics and they are not necessarily (and usually are not) mutually exclusive (Batra and Ahtola 1990). This brings us to the conclusion that to measure the complete shopping experience, the hedonic aspect of shopping must also be considered along with the functional, utilitarian side (Babin, Darden, and Griffin 1994).

2.4 Utilitarian and Hedonic Shopping Value

Several studies (Belk 1979; Fischer and Arnold 1990; Sherry 1990) have demonstrated that both, utilitarian as well as hedonic value can be provided by the retailer during the whole shopping experience. For instance, a consumer might be successful at finding the product that motivated the shopping trip at the first store visited and might also find that the product is being offered at a discount. In such a scenario, the utilitarian shopping value would be derived from the consumer's success at quickly finding the required product, and hedonic shopping value would be created by the excitement associated with the discounted price. On the other hand, Triandis (1977) has concluded that a high level of one type of value does not preclude a high level of the other, and vice versa.

As early as 1971, Schary posited that the act of shopping is linked to the end of creating a pleasurable activity or meeting of a functional need. However, until the turn of the century, most consumer researchers limited the definition of consumer value to the utilitarian point of view. Utilitarian shopping value can be allied with the general assumption that shopping is a highly rational process, and the underlying purpose for a shopping trip is to buy
specific products (Forsythe and Bailey 1996). According to Babin, Darden, and Griffin (1994, p. 654), “utilitarian shopping value includes expressions of accomplishment and/or disappointment over ability (inability) to complete the shopping task. Utilitarian shopping value refers to the consumer's evaluation of the outcome of a shopping experience’s success in terms of satisfying the need that stimulated the shopping trip (Holbrook and Hirschman 1982). This definition is used in the context of the present study. Fischer and Arnold (1990, p. 334) in their study have given a typical example of utilitarian shopping value. While referring to Christmas shopping lists, a consumer had proclaimed, “I found it sort of a chore this year trying to get everything done.” According to Babin, Darden, and Griffin (1994), the utilitarian shopping value is derived only if the shopping chore is completed successfully (i.e., getting everything done) and will be even more, if the shopping chore is done in a deliberant and efficient manner.

Furthermore, consumers tend to seek utilitarian shopping value in a task-oriented, rational manner (Batra and Ahtola 1990; Blackwell, Miniard, and Engel 2000). However, utility is a concept borrowed from the vast literature of economics where it is conceptualised as whatever maximises satisfaction (Croker 1994). In other words, it can be said that, utilitarian shopping value is related to the functional and non-sensory attributes and therefore, it focuses on instrumental expectations (Batra and Ahtola 1990). Utilitarian shopping value is relevant to heuristics, goal fulfilment, and is less risky (Batra and Ahtola 1990; Engel, Blackwell, and Miniard 1993). Some authors have used the term ‘instrumental’ or ‘intrinsic’ value to denote the value that something has an end or for its own sake (Korsgaard 1983). Holbrook and Hirschman (1982) have characterised utilitarian value in the context of shopping as ‘shopping at work’.

On the other hand, hedonic consumption research has tended to investigate products that strongly arouse emotions and aesthetic experiences, such as literature, visual arts, and
drama. In doing so, it has focused on relatively extreme cases involving feelings, fun, and fantasies such as those in the purchase of games (Holbrook et al. 1984), adventure sports (Arnould and Price 1993; Celsi, Rose, and Leigh 1993; Hopkinson and Pujari 1999), performing arts (Caldwell 2001), and music (Lacher 1989), while overlooking the less extreme emotional perspectives of more ordinary consumption experiences. Although these early studies on hedonic consumption were a narrower subset of experiential consumption, they broke the barrier and began the process of bringing non-rational aspects of consumption into the consumer behaviour literature.

Hedonic value in shopping is based on the assumption that consumers obtain intrinsic personal and emotional rewards from different cues like variety of products being offered (Wakefield and Barnes 1996), learning new trends, and entertainment while shopping (Tauber 1972). Hedonic shopping value derived from the shopping experience reflects the emotional or psychological worth of the experience (Holbrook and Hirschman 1982). Hedonic shopping value relates to “...the appreciation of some experience for its own sake” (Holbrook 1986, p. 33). Hedonic shopping value can be defined as whether a shopping experience in itself is stimulating (characteristics such as smells, sights, memories evoked by shopping, social interactions incurred while shopping, etc.) regardless of the outcome (e.g., if a purchase was made). Sources of hedonic shopping value can include the joy and/or the excitement of the shopping experience, or the escape from everyday activities that is provided by shopping. This definition has been used in the present study. Therefore, hedonic shopping value is more personal and subjective when compared with the utilitarian shopping value, and is often the result of fun and playful experiences (Holbrook and Hirschman 1982). In other words, the hedonic component is related to the sensory attributes, and thus, its focus is on the consummatory affective gratification (Batra and Ahtola 1990). In short, utilitarian value represents an economic concept which is derived from the information-processing paradigm,
while hedonic value is inherently behavioural, derived from the experiential paradigm within consumer behaviour research (Blackwell, Miniard, and Engel 2000).

Enjoying a product’s benefit without purchasing it can also provide some form of hedonic shopping value in the form of emotional arousal (MacInnis and Price 1987). The mere thought of ‘shopping around’ in emotionally arousing stores can produce an increase in perceived hedonic shopping value for different individuals, even more if we consider that people approach objects that they associate with positive rewards via imagery as theorised by MacInnis and Price (1987). Furthermore, Lehtonen (1994) did a comparison of the two types of shopping, utilitarian shopping and hedonic shopping. He further confirmed that hedonic shopping activity is an end in itself and therefore, it may not necessarily include actual product purchase and is often accompanied by impulse purchase. Since hedonic shopping is for pleasure or recreation therefore, shopping efficiency is not important. He also emphasized on the experiential aspect of shopping.

2.5 Utilitarian and Hedonic Shopping Value Research

Utilitarian and hedonic dimensions of consumption have been well recognized by consumer behaviour researchers. Batra and Ahtola (1990) developed a scale to measure the consumers’ attitude towards brands and the resultant behaviours, and confirmed that attitude towards brands and consumption behaviour has at least two distinct dimensions, namely, hedonic and utilitarian. According to the authors, the hedonic value is related to sensory attributes and focuses on consummatory affective gratification, while, the utilitarian value is related to functional and nonsensory attributes and focuses on instrumental expectation. In addition to Batra and Ahtola’s study (1990), Spangenberg, Voss, and Crowley (1997) have also developed a scale for measuring the utilitarian and hedonic components of attitudes. Both the group of researchers chose specific product categories and specific brands within
each of those categories in order to examine the utilitarian and hedonic dimensions of products and services. Both the scales appeared to be somewhat reliable in measuring the attitudes of the consumers with respect to those specific product categories and classes (i.e., potato chips, cooking oil, dish washing detergent, personal computers, and vacation resorts). The major limitation of these scales was that they could not be transferred across various product categories and classes. Crowley, Spangenberg and Hughes (1992) have provided further evidence of the existence of hedonic and utilitarian elements in attitudes towards product categories.

Babin, Darden and Griffin (1994) conducted a study to develop a scale specific to the measurement of utilitarian and hedonic value. The study was based on accepted methods for scale development in consumer research (Churchill 1979). The authors made use of focus group interviews to assist in establishing the contents of each dimension and thus, were able to validate the scale psychometrically and theoretically. Confirmatory factor analysis was employed to finalise a fifteen item scale. The scale exhibited reliability and construct validity across different samples as well as situations.

Babin and Attaway (2000) conducted a study to explore whether a consumer’s repeated purchase behaviour (reflected in consumer share or the proportion of resources given to a single retailer in a competitive field) is a function, in part, of affect experienced while shopping and perceived personal shopping value. In all 156 respondents were approached and 144 was the final number of respondents after list wise deletion. The proposed model and hypotheses were tested using structural equation analysis. Rather than exhibiting a direct effect, positive and negative affect was found to alter perceived hedonic and utilitarian shopping value, and through this perceived hedonic and utilitarian shopping value, consumer share was affected.
Babin et al. (2005) did a study in the service industry (restaurant) to extend the notions of utilitarian and hedonic value to account for outcomes of consumer service encounters. The research focused on presenting a model that incorporated service quality, consumer affect, and perceived shopping value and these were related to consumer satisfaction and intention to engage in word-of-mouth activity. The model was then tested on a sample of South Korean consumers based on an actual restaurant experience. They confirmed the ability of the consumer service value scale to account for utilitarian and hedonic value, the role of functional and affective service environment components in shaping consumer satisfaction and future patronage intentions and the relative diagnosticity of positive affect.

Carpenter, Moore and Fairhurst (2005) conducted an empirical research to examine whether consumers value the in-store experience that retailers provided as part of the store as a brand concept. They used a self-administered questionnaire to survey a sample of young adult consumers (n = 188). Statistical techniques such as MANOVA with post hoc tests were used to evaluate the data. The findings from the statistical models revealed that consumers expected both hedonic as well as utilitarian value to be present when shopping in the store as a brand context.

According to a study conducted by Rintamaki et al. (2006), the perceived consumer shopping value can be disintegrated into tripartite conceptualizations namely, hedonic, utilitarian and social dimensions. The third dimension identified, i.e., the social dimension is a new addition in their findings. The authors have concluded that retailers can add hedonic and social values in the design of stores, and their marketing programs in order to increase consumer patronage. They further stressed that successful retailers should understand that consumer value encompasses concrete and abstract aspects of the shopping experiences.
starting right from the entrance to check out, and from making buying decisions to consuming and experiencing the product.

Hartman et al. (2006) conducted a study on the web consumption behaviour of adolescents. Based on the study, the authors concluded that web consumption attitude of adolescents can be classified into two categories- hedonic and utilitarian. They made an observation that when an individual was learning something new, he or she felt a sense of happiness or gratification, which was hedonic in nature. On the other hand, utilitarian web consumption was related to the practical, purposeful and necessary activities.

Utilitarian and hedonic consumption attitudes not only influence the purchase of a product, but they also influence the post purchase intention. Park and Mowen (2007) conducted a study to find whether hedonic and utilitarian motives also influence individual’s inclination to exchange the old product model with the newly introduced and upgraded model if any exchange offer is being provided. The conclusions of their study showed that if an exchange offer is introduced then the buyer will be willing to exchange the product provided that he purchased the product for hedonic purposes and not for utilitarian purposes.

Fiore and Kim (2007) conducted a study to reflect the integrative (experiential and utilitarian) nature of shopping experience. They proposed a theoretical framework to help researchers develop empirical studies blurring experiential and utilitarian approaches to shopping experience.

Nguyen, Nguyen and Barrett (2007) conducted an empirical study to explore the impact of hedonic shopping motivations and supermarket attributes on shopper loyalty. They made use of a sample of 608 supermarket shoppers in Ho Chi Minh City, Vietnam to test the model. Structural equation modelling was employed to analyze the data. The study concluded that supermarket attributes and hedonic shopping motivations had positive effects on shopper
loyalty. The authors also found that the impact of hedonic motivations on shopper loyalty was different between the younger and older, as well as lower and higher income groups of customers. However, the study did not find such difference between female and male shoppers.

2.6 Consumer Satisfaction

2.6.1 Defining Consumer Satisfaction

On the surface, consumer satisfaction seems to be an uncomplicated concept. However, its definition is not a static one, but rather it has evolved over time. Early endeavours to understand consumer’s post-purchase responses were directed on the conception of cognitive dissonance (Festinger 1957). The literature of satisfaction propounds satisfaction as an outcome as well as a process (Yi 1990; Parker and Mathews 2000). Howard and Sheth (1969, p. 145) have defined consumer satisfaction as an outcome as, “the buyer’s cognitive state of being adequately or inadequately rewarded for the sacrifices he has undergone.”

In the words of Oliver (1981, p. 27), consumer satisfaction is, “the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer’s prior feelings about the consumption experience.”

Whereas, Westbrook and Reilly, (1983, p. 256) have defined it as, “an emotional response to the experiences provided by, associated with particular products or services purchased, retail outlets, or even molar patterns of behaviour such as shopping and buyer behaviour, as well as the overall marketplace.”

Consumer satisfaction has also been termed by Hunt (1977, p. 459) as “an evaluation rendered that the (consumption) experience was at least as good as it was supposed to be.”
Furthermore, Engel and Blackwell (1982, p. 501) have opined it to be, “an evaluation that the chosen alternative is consistent with prior beliefs with respect to that alternative.”

Churchill and Suprenant (1982) define consumer satisfaction as, “an outcome of purchase and use resulting from the buyer’s comparison of the rewards and costs of the purchase in relation to the anticipated consequences.” According to Tse and Wilton (1988, p. 204) consumer satisfaction is, “the consumer’s response to the evaluation of the perceived discrepancy between prior expectations (or some other norm of performance) and the actual performance of the product as perceived after its consumption.”

By examining the above definitions of consumer satisfaction and also as reviewed by Oliver (1980), it can be concluded that satisfaction is an amalgamation of some preliminary standard, working in combination, with some perceived incongruity from the initial reference point.

It is obvious from the above definitions, that numerous researchers have defined the construct of satisfaction differently. It can surely be ascertained that all the above definitions indicate an overwhelming effect on consumer satisfaction management. By summarising the above definitions it is quite apparent that consumer satisfaction is:

1. It is some type of emotional (affective), cognitive, and/or an impulse (conative) response.

2. It is established on an assessment of product-related standards, product consumption experiences, and or purchase-related attributes (e.g., salesperson).

3. It is articulated before choice, after choice, after consumption, after extended experience, or just about any other time a researcher may enquire consumer about the product or product related attributes.
2.6.2 Theories of Consumer Satisfaction

Social psychologists, marketing researchers, and students of consumer behaviour, have comprehensively studied the notion of consumer satisfaction. In the past three decades, more than 15,000 academic and trade articles have been made public on the topic of consumer satisfaction. In addition to this, several conferences have been dedicated to this subject and extensive review of literature has been undertaken and presented (Barsky 1992; Day 1977; Hunt 1977; LaTour and Peat 1979; Oh and Parks 1997; Ross et al. 1987; Smart 1982). The outcome of all these studies has been the development of ten diverse theories of consumer satisfaction. A greater part of these theories is based on cognitive psychology and are based on the nature of the consumer’s post usage comparison process.

A majority of these theories have their foundation around Oliver’s (1977, 1980) expectation-disconfirmation paradigm. This concept was a development on an earlier study conducted by Engel, Kollat and Blackwell (1968). Furthermore, these theories can be divided into theories based on the research examining consumer satisfaction, and theories based on the research focussing primarily on product performance.

2.6.2.1 Theories Based on Research on Consumer Satisfaction

In the past consumer satisfaction researchers have concluded that, if the product performance exceeds certain preset standards, then it leads to satisfaction, while, any performance below the same standards, leads to dissatisfaction (Engel and Blackwell 1982; Howard and Sheth 1969). This line of reasoning is in concurrence with the findings in the areas of job, life, and patient satisfaction in that satisfaction is a function of certain standards and perceived discrepancy from the standards (e.g., Andrews and Withey 1976; Campbell, Converse and Rodgers 1976; Ilgen 1971; Weaver and Brickman 1974). A majority of studies on consumer satisfaction fundamentally espouse this confirmation/disconfirmation paradigm,
but they vary in the choice of standards. The studies are reviewed here according to the comparison standard used.

A. Expectation-Disconfirmation Paradigm

According to the expectation-disconfirmation model put forward in the consumer satisfaction literature (e.g., Oliver, 1977, 1980, 1981), and tested and confirmed in several studies (Oliver and DeSarbo 1988; Tse and Wilton 1988), consumers evaluate satisfaction with a product in assessment with their expectations about the product performance. If the performance exceeds the (predictive) expectations (i.e., positive disconfirmation occurs), then an increase in levels of satisfaction is to be expected. On the other hand, if the performance is lower than expectations (i.e., negative disconfirmation occurs), then an increase in dissatisfaction becomes inevitable. Hence, disconfirmation is likely to affect consumer satisfaction. Expectations are also assumed to have some bearing on consumer satisfaction (see Oliver and DeSarbo 1988). Overall, consumer satisfaction is hypothesized predominantly as a function of expectations and disconfirmation, with expectations being used as standards of comparison.

B. Comparison Level Theory

LaTour and Peat (1979) did not agree with the expectation-disconfirmation paradigm for the reason that the approach assumed that the prime determinant of consumer satisfaction was the predictive expectations created by manufacturers, test reports, or indeterminate sources. They further contended that the postulation ignored other sources of expectations such as consumers' past experience, and other consumers' experience with similar products. LaTour and Peat (1979) put forward a modification of the comparison level theory (Thibaut and Kelley 1959). It was based on their argument that there were three critical determinants of comparison level for a product, namely,
a. consumers' previous experience with similar products

b. situationally-produced expectations (e.g., those created through the advertising efforts of manufacturers or promotional efforts of retailers

c. the experience of other consumers who serve as referent persons

Whereas, quite in contrast with the above theory, many studies that have adopted an expectation-disconfirmation paradigm, have used only expectations that are produced by situations as standards (Anderson 1973; Oliver 1976, 1977, 1980; Olshavsky and Miller 1972).

C. Equity Theory

Equity theory has also been applied, and found to be useful in the study of consumer satisfaction (Fisk and Young 1985; Mowen and Grove 1983; Swan and Mercer 1982; Swan and Oliver 1985). The theory emphasizes that individuals tend to compare their outcome-input ratios with those of others with who they are in a relationship (Adams 1963). The basis for evaluation is the degree of equity which consumers perceive between what they have received and what the other person has received relative to their respective inputs. As far as consumer satisfaction is concerned, the net gain that a marketer made (outcome/input) was often weighed against the consumer’s net gain (outcome/input). Therefore, it can be said that satisfaction exists when an individual comprehends that the outcome-to-input ratios are fair and just (Yi 1990).

D. Norms as Comparison Standards

A large number of researchers have recommended the use of norms as a comparison standard, although they have used to some extent, different labels. These labels incorporate
normative deficit (Morris 1977), ideal and deserved expectations (Miller 1977; Sirgy 1984),
normative expectation (Summers and Granbois 1977) and desired expectation (Swan,
Trawick, and Carroll 1982). These norms refer to what "ought to be" the performance of the
product, whereas, the predictive expectations in the basic expectation-disconfirmation
paradigm mean what "will be" the probable product performance.

E. Value-Percept Disparity Theory

Westbrook and Reilly (1983) put forward a value-percept disparity theory as an
alternative to the expectation-confirmation paradigm model. The researchers believed that the
expectation-confirmation model did not make a distinction between cognitive and evaluative
notions and therefore it was a major problem with the theory. It was further criticised that the
expectation from a product may not always be consistent to what is desired or valued from a
product. It can be said that when values and expectations are influenced separately, then
values rather than expectations, were found to determine satisfaction (Locke 1967). Thus it
can be said that, success in relation to aspirations or values (as opposed to expectations)
appeared to be predominantly responsible for satisfaction. According to the value-percept
disparity theory, satisfaction is an emotional response triggered by a cognitive-evaluative
process in which the perceptions of an object are compared to one's values (needs, wants, or
desires) (Yi 1990). It can be implied that a great disparity between perceptions of the product
and values, will lead to a greater dissatisfaction as predicted by this theory. On the contrary,
the smaller the value-percept disparity, the greater the satisfaction will be. This theory can be
seen as an extraordinary type of norm-based theory (e.g., Cadotte, Woodruff, and Jenkins
1987).
2.6.2.2 Theories Based on Studies on Product Performance

In this section a few theories have been reviewed that have explained the effects of expectation and disconfirmation on perceived product performance. They are at variance in envisaging the effects of expectations and disconfirmation, and in enumerating the conditions under which the effects are likely to occur.

A. Contrast Theory

The contrast theory, first introduced by Hovland, Harvey, and Sheriff (1957), assumes that when product expectations are not in line with actual performance, the disparity between expectation and outcome or the surprise effect will cause the consumer to overstress the contrast (Cardozo 1965; Engel and Blackwell 1982; Howard and Sheth 1969). Accordingly, if those expectations are inconsistent with reality, individuals may shift their assessment away from them. In accordance with this theory, if the performance of the product is an understatement, then it will lead to a perspicacity that perceived performance is higher than the actual performance, while at the same time an overstatement will lead to perceived performance that will be lower than an objective performance. In other words it can be said that the perceptions of product performance are improved with positive disconfirmation, and lowered by negative disconfirmation.

B. Assimilation-Contrast Theory

The assimilation-contrast theory maintains that there is room for manoeuvre between acceptance and rejection in one’s perceptions (Hovland, Harvey, and Sherif 1957). If the difference between expectation and performance is small enough to fall into the consumers’ latitude of acceptance, an individual will be inclined to take in the product rating toward his
expectations. That is to say, high expectations about product quality will lead to more encouraging ratings, whereas low expectations lead to less favourable ratings.

However, if the inconsistency between expectations and performance is quite large enough then it may fall into the zone of rejection, and as a consequence a contrast effect takes place and the consumer magnifies the perceived disparity (Anderson 1973). In accordance with this theory, promotional communication needs to overemphasize product performance to some extent within the range of acceptance, but not so much as to bring about a contrast effect. Taken as a whole, the effect of a disconfirmed expectation on product evaluation varies as a function of the magnitude of disconfirmation.

C. Dissonance Theory

Cognitive dissonance theory posits that consumers are predisposed to make some kind of cognitive comparison between the expectations about the product and the perceived performance of the product (Festinger 1957). A dissonance is said to arise when there is a discrepancy between expectations and perceived product performance. These disconfirmed expectations tend to create a state of dissonance or psychological discomfort. Several studies have supported the dissonance theory (e.g., Cardozo 1965; Olshavsky and Miller 1972; Olson and Dover 1979).

D. Assimilation Theory

Assimilation theory is based on Festinger’s (1957) cognitive dissonance theory. The view of consumer’s post usage evaluation of the product performance with the product expectation was introduced into the satisfaction literature by the means of assimilation theory (Anderson 1973). As stated by Anderson (1973), consumers seek to avoid dissonance by adjusting their product perceptions to bring it along the lines of their product expectations.
According to Olson and Dover (1979), consumers can bring about a reduction in the apprehension resulting from a discrepancy between their expectations from the product and actual product performance by either altering their expectations so that it concurs with perceived performance of the product or by raising the level of their satisfaction by lessening the relative importance of the disconfirmed experience.

E. Generalised Negativity Theory

Generalised negativity theory has its roots in the disconfirmation process and was introduced in the consumer satisfaction literature by Anderson (1973). The theory posits that if the expectations of the consumers are strongly held, then any disconfirmation will make them react negatively. Therefore, any disconfirmation of expectations will be perceived as less satisfying than confirmation of the expectations (Carlsmith and Aronson 1963). Carlsmith and Aronson (1963) have confirmed that disconfirmation of expectations leads to a hedonically negative condition which is generalized to the objects in the milieu. Oliver (1976) provided espousal for this theory and showed that positive or negative disconfirmation lead to an unfavourable assessment of a product.

2.7 Benefits of Consumer Satisfaction

Serving the consumers and providing them with satisfaction has become the slogan of modern marketing theory. In today's competitive milieu, an organization’s facility to deliver high quality service that result in satisfied consumers is said to be the key to a sustainable competitive advantage (Shemwell, Yavas, and Bilgin 1998). Furthermore, Muffato and Panizzolo (1995) have advocated that consumer satisfaction should be contemplated to be one of the most important competitive factors for the future, and a firm’s profit earning ability would be indicated by it. They further proposed that consumer satisfaction would be a driving force for the firms to improve their reputation and image, to reduce consumer
turnover, and to increase attention to consumer needs. These steps would help organizations in creating barriers to switching, and help improve business relationships with their consumers.

Consumer satisfaction is progressively becoming a corporate goal as more and more companies endeavour for quality in their products and services (Bitner and Hubbert 1994). These companies concentrate on the needs and want of identifiable target groups and then work hard to maximize their satisfaction with the product or service being offered (Vavra 1997). There is a growth in research which indicates about the advantageous outcomes of consumer satisfaction in terms of both behavioural effects such as loyalty, repurchase intention, complaining behaviour, and word of mouth, as well as performance outcomes such as profit. It has been empirically proven that satisfied consumers have a propensity to be less price sensitive, while at the same time they are more willing to buy additional products, and also tend to be less influenced by competitors (Hansemarek and Albinsson 2004). Satisfied consumers can also be expected to tell others of their favourable experiences and thus engage in positive word of mouth advertising for the organisation (File and Prince 1992; Richins 1983). This affirmative word of mouth publicity is especially advantageous in collectivist Asian cultures like that of India where social life is prearranged in a way to build up social relationships with others in the society (see Hofstede 1980).

An empirical study carried out by Levesque and McDougall (1996), reinforced the notion that unsatisfactory consumer service could lead to a drop in the levels of consumer satisfaction and the enthusiasm to endorse the service to a friend. This would in turn lead to an increase in the switching behaviour of the consumers. Therefore, the importance of consumer satisfaction and consumer retention in the development of strategy for a 'market oriented' and 'consumer focussed' organisation cannot be taken too lightly (see Kohli and Jaworski 1990 for further discussion).
As regards to the relationship between consumer satisfaction and consumer retention, several studies (Anderson and Mittal 2000; Assael 1987; Zeithaml 2000) have found that by increasing the levels of overall consumer satisfaction, a greater repurchase intention, as well as actual repurchase behaviour takes place. There is an overwhelming line of reasoning that it is more expensive to win new consumers than to keep existing ones (Ennew and Binks 1996; Hormozi and Giles 2004). This is along the lines of Athanassopoulos, Gounaris, and Stathakopoulos (2001) who have argued that costs of consumer replacement like advertising, promotion, and sales expenses, are high and furthermore, it takes a while before new consumers become profitable. Moreover, along the same lines, Sheth and Parvatiyar (1995) have shown that consumers who have been with their organisation for five years are much more profitable than those in the first year of their relationship. In keeping with a research by Reichheld and Sasser (1990), a 5 per cent increase in the retention of consumers can increase profitability by 35 per cent in banking business, 50 per cent in insurance and brokerage, and 125 per cent in the consumer credit card market. Therefore, consumer relationships that are for a long time are worth more to any organisation than new ones.

It has further been researched that an increase in the rate of consumer retention leads to an increase in positive word of mouth recommendations (Berkman and Gilson 1986), decrease in price sensitivity, and future transaction costs (Reichheld and Sasser 1990). These in turn lead to better business performance (Bolton 1998; Ennew and Binks 1996; Fornell 1992). Consumer satisfaction also happens to be the cheapest means of advertising. Different researchers have found this ratio to vary from about 10 to 1 to 5 to 1 (Naumann 1995, p. 22).

Consumer satisfaction has a direct relationship with consumer loyalty. Previous studies have found that if consumers are loyal then it leads to a lowering of servicing costs, reduction in marketing expenses, and an increase in business from them. Levesque and McDougall (1996) proposed that these effects are remarkably true in the retail banking sector.
They further advocated that in retail banking, by increasing the levels of consumer satisfaction and loyalty, banks’ servicing costs will be reduced and they would gain knowledge of the financial relationship and consumers’ needs, thus allowing banks to effectively and efficiently cross-sell existing and new products or services to their consumers.

### 2.8 Consumer Satisfaction Research

Even though, multiple definitions and conceptualisations of the consumer satisfaction construct are present in the existing literature, yet it can be said that research stream is quite robust. However, the research has increased with the linking of consumer satisfaction with the overall performance of the firm (Anderson, Fornell and Lehman 1984). It is also worthwhile to note that a majority of the studies have been focused on the product level, although research at other levels like brand, store, salespersons etc. has also been undertaken but is remarkably less developed conceptually and empirically.

One of the most popular streams of research involves the development of measures for the consumer satisfaction construct. Wirtz and Lee’s (2003) empirical study on the quality and context-specific applicability of consumer satisfaction measures is quite important to the context of the present study. They tested nine of the most commonly used consumer satisfaction measures for their cognitive (utilitarian) and affective (hedonic) content. They concluded that all the nine measures showed the ability to capture both the dimensions of the construct.

Sivadas and Baker-Prewitt (2000) have demonstrated that consumer satisfaction has an influence on relative attitude, repurchase intentions and word of mouth recommendations but had no direct effect on store loyalty. Nevertheless, they also concluded that the presence of favourable relative attitude and consumer recommendations was the key to the development of loyalty.
Reynolds and Beatty (1999) have concluded that the consumer’s perception of benefits has a positive effect on the consumer’s satisfaction with the salesperson. Satisfaction with the salesperson is also positively associated to the loyalty to the salesperson, salesperson word of mouth as well as share of purchase. They also found that the effects related to satisfaction with the salesperson, loyalty, and word of mouth seemed to have a spill over effect on the satisfaction with the company, and loyalty and positive word of mouth towards the company as a whole.

Carpenter and Fairhurst (2005) conducted a study to examine the effect of utilitarian and hedonic shopping benefits on consumer satisfaction, loyalty, and word of mouth communication in a retail store branded context. Confirmatory factor analysis and structural equation modelling were used to evaluate the data. They concluded the presence of significant, positive relationships between utilitarian and hedonic shopping benefits, consumer satisfaction, consumer loyalty, and word of mouth communication. Their study was unique due to the relative newness of the context (i.e., retail branded products) in which the study was conducted. Based on these evidences, the present study hypothesizes that:

\[ H_1: \text{The consumer’s perception of utilitarian shopping value is positively associated with the consumer’s satisfaction with PLB products purchase experience.} \]

\[ H_2: \text{The consumer’s perception of hedonic shopping value is positively associated with the consumer’s satisfaction with PLB products purchase experience.} \]

### 2.9 Consumer Loyalty

According to Jacoby and Chestnut (1978, p. 1), “the success of a brand in the long term is not based on the number of consumers that buy it once, but on the number of consumers who become regular buyers of the brand.” This statement exemplifies the importance of developing and assessing consumer’s loyalty towards the PLBs. Samli (1989)
has contended that consumer loyalty can often serve as the distinctive advantage for firms that operate in highly competitive industries like retailing.

The conceptualisation of the loyalty construct has evolved over the last century. The first academic exploration in the field of brand loyalty can be ascribed to Copeland (1923). However, Copeland’s (1923) work lacked well-underlying conceptual and methodological bases. The major developments in this domain started in the late 1960s and the 1970s. Early researchers focussed on loyalty towards tangible goods brands (Cunningham 1956; Day 1969; Tucker 1964). Cunningham (1956) defined brand loyalty in very simple terms as, “the proportion of purchases of a household devoted to the brand it purchased most often.” However, Cunningham (1961) broadened the spectrum of analysis by assessing consumers’ loyalty towards the store rather than on brands.

An extensive review of past literature indicated that a majority of the initial research laid emphasis on the behavioural dimension of loyalty. This is epitomised by Tucker (1964, p. 32) who opined that, “no consideration should be given to what the subject thinks nor what goes on in his central nervous system, his behaviour is the full statement of what brand loyalty is.” Jacoby (1974) has confirmed that previous studies had focussed primarily on the behavioural outcomes and as a consequence these studies completely ignored consideration of what went on in consumer’s minds. It was always measured in terms of its outcome characteristics (Jacoby and Chestnut 1978). To further explain, the measures were primarily directed to determine the sequence of purchase or buying patterns (Brown 1952; Lawrence 1969; McConnell 1968; Tucker 1964), proportion of purchase devoted to a given brand or in other words share of total purchases (Cunningham 1956, p. 118; Farley 1964, p. 9) and probability of purchase (Frank 1962; Maffei 1960). Day (1969) was the pioneer researcher who introduced the two-dimensional concept of brand loyalty and stated that loyalty should be evaluated with both the behavioural (i.e., repeat purchase) as well as attitudinal (i.e.,
affective aspect) criteria. In a review of 53 operational definitions, Jacoby and Chestnut (1978) concluded that a central theme that runs through all the definitions is that loyalty is related to the proportion of expenditure dedicated to a specific brand or store. Jacoby and Chestnut (1978) were the first authors who provided a conceptually clear and precise definition of brand loyalty. They expressed that brand loyalty is composed of six necessary and collective conditions and defined brand loyalty as, “(1) the biased (i.e., non-random) (2) behavioural response (i.e., purchase) (3) expressed over time (4) by some decision-making unit (i.e., a person or group of persons) (5) with respect to one or more alternative brands (i.e., out of a set of such brands) and (6) is a function of psychological (decision-making, evaluative) processes.”

At the heart of consumer loyalty research lays the concept of repeat purchase behaviour or in simpler terms some degree of repetitive purchase of the same brand by the same buyer. Jacoby and Chestnut (1978) have postulated two approaches that relate to the nature of such a construct, namely the stochastic approach and the deterministic approach. The stochastic approach contends that consumer’s loyalty is behaviour because the individual consumers repeatedly indulge in the purchase of the same product or brand. It assumes that even if repeat purchase is caused by some variables, the multiplicity and complexity of the variables is so immense that it tends to make the repeat purchasing behaviour virtually an unpredictable concept and thus it validates the claim that it is a stochastic process (e.g., Ehrenberg 1972). In other words, it is assumed that it is difficult for the researcher to manipulate the variables that lead to consumer loyalty because of the complexity of the construct. According to Ehrenberg (1988) it reflects the tendencies of the consumers and involves the measurement of past purchases of the same brand or the patronage of the same store and/or the measurement of probabilities of future purchase.
On the other hand lays the deterministic approach which postulates that loyalty should be viewed as an attitude. According to the deterministic approach there exist a limited number of causes that directly influence the repeat purchasing behaviour. These causes can be identified and isolated by researchers from each other and then be stimulated to bring about the desired effects of repeat patronage (Jacoby 1971; Jarvis and Wilcox 1976). This direction of research has examined the psychological effect of consumer loyalty and in turn has ignored the outcomes of consumer loyalty (i.e., purchase behaviour). Bowen and Chen (2001) are of the opinion that attitudinal measures of consumer loyalty are the reproduction of the inherent emotional and psychological attachment to the brand or product.

Notwithstanding these determining works, there is still no universal agreement on the definition of loyalty (Dick and Basu 1994; Jacoby and Chestnut 1978; Oliver 1999; Uncles, Dowling and Hammond 2003). Majumdar (2005) has stated that, “customer loyalty is a complex, multidimensional concept.” The complexity of consumer loyalty is reflected in the wide range of definitions available within the literature.

Dick and Basu (1994) have defined consumer loyalty as, “the relationship between relative attitude and repeat patronage.” In their conceptual paper, the authors introduced the notion of “relative attitude” so as to provide a better theoretical grounding to the loyalty construct. They have defined “relative attitude” as, “a favourable attitude that is high compared to potential alternatives” (Dick and Basu 1994, p. 100). The authors have further opined that loyalty was perhaps an outcome of both a more favourable attitude towards a brand (as compared to other alternatives) as well as repeat patronage of the brand. They have further cross-classified four conditions of loyalty. Absence of loyalty is represented by a combination of low relative attitude with low repeat patronage. Spurious loyalty is the accompaniment of low attitude with high repeat patronage and it indicates the possibility of non attitudinal influences on the behaviour of consumers. Some authors have considered this
kind of loyalty to be driven by inertia (Assael 1992). On the other hand, latent loyalty is established if the consumers have a high relative attitude with low repeat patronage and it is assumed that situational effects and market conditions are at the least as strong as the effect of the relative attitude on the consumers’ behaviour. The final and the most desirable state is loyalty, where in there exists a positive relationship between patronage behaviour and relative attitude.

Bloemer and Kasper (1995) conducted a study to understand the differences between “true” and “spurious” loyalty in terms of an “inertia effect”. They concluded that “true loyalty” includes apart from repeat purchasing, the larger notion of a true commitment to the brand. In the same way, Yim and Kannan (1999) have developed a modelling framework of consumer loyalty that is helpful for consumer segmentation. The first segment that they identified is the hard-core loyalty group who exclusively make repeat purchase of one particular product or brand. On the other hand, the second consumer segment has been termed as reinforcing loyalty group and this group makes repeat purchases of one or more than one product or brand alternatives.

According to Uncles, Dowling, and Hammond (2003), three popular conceptualizations of consumer loyalty exist. Firstly, consumer loyalty is an attitude that leads to a relationship with the brand. Secondly, consumer loyalty is expressed primarily in terms of revealed behaviour. Thirdly, buying is moderated by the individual consumer’s characteristics, circumstances, and/or the purchase situation. Oliver (1997) has defined loyalty as, “a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts that have the potential to cause switching behaviour.” Past data have confirmed that a vast majority of consumers are polygamous in their purchase decisions and tend to offer their loyalty to a portfolio of brands.
within a product category (Uncles, Dowling, and Hammond 2003). This consumer phenomenon has led to another definition of customer loyalty, “an ongoing propensity to buy the brand, usually as one of several” (Uncles, Dowling, and Hammond 2003). Specifically, loyalty can be defined as a consumer’s intention or predisposition to purchase from the same firm again (Edvardsson et al. 2000) and it is a result of the conviction that the value received from one seller is greater than the value available from other alternatives (Hallowell 1996). Sirdeshmukh, Singh, and Sabol (2002, p. 20) have defined consumer loyalty as, “an intention to perform a diverse set of behaviours that signal a motivation to maintain a relationship with the focal firm, including allocating a higher share of the category wallet to the specific service provider, engaging in positive word of mouth (WOM), and repeat purchasing.” In the context of the present study, Oliver’s (1997) definition has been used as it involves all the three components, namely, cognition, affect and behavioural intention.

2.9.1 Four Stage Loyalty Model

Oliver (1997) has affirmed that loyalty can be described as progressing in four stages, implying that different aspects of loyalty do not emerge simultaneously, but rather consecutively over time.

A. Cognitive Loyalty

The first stage is cognitive loyalty and this phase is based on the comparison of information available (such as price, quality, and so forth) with regard to the products of two or more companies. This cognition can be based on prior or vicarious knowledge and/or on recent experience-based information. Oliver (1997, p. 392) has regarded cognitive loyalty to be a reflection of a consumer being compelled to prefer “…one brand over another.” For instance, Kissan is a very well known brand of different varieties of flavoured jams, and at the same time, many other brands of jams are also available in the market. Since more is
known about Kissan jams than its competitors, therefore a consumer will be more likely to purchase it. This behaviour of the consumers is based on their expectations derived from a logical assumption that fame is a direct inference of quality. This stage of loyalty is weak as it is directed towards the costs and benefits of an offering and not at the brand itself. At this stage the consumers are susceptible to discounted pricing promotions and advertising appeals of the competing firms.

Therefore, the consumers are quite likely to give in to the competitors and may easily switch once they perceive the alternative offerings as being superior with respect to the cost-benefit ratio (Kalyanaram and Little 1994; Sivakumar and Raj 1997). Cognitive loyalty is influenced to a great extent by the consumer’s evaluative response to an experience, and to be more specific, the perceived performance of an offering relative to its price (i.e. value).

B. Affective Loyalty

Affective loyalty is the second loyalty stage (Oliver 1997). This stage relates to the formulation of a favourable attitude based on the accumulation of satisfactory experiences with a specific brand. In other words, it is a function of the consumer’s affect-based satisfactory attitudes towards a specific brand. Attitude itself is a function of cognition (e.g., expectation). On the other hand, unsatisfactory experience with the specific brand will be an obstacle to the formation of affective loyalty. For the transition from the cognitive phase to the affective stage, cognition has to be combined with attitude and satisfaction to result in affective loyalty. Thus, experienced Kissan jam users appreciate the homogeneous consistency that is being offered as well as its ability to combine with any basic Indian bread.

However, it is also worthwhile to note that affective loyalty is not an assurance of loyalty as at this phase consumers as a group remain fickle. Affective loyalty is also susceptible to deterioration that is caused primarily by an increased attractiveness of
Competitive offerings (Sambandam and Lord 1995) as well as an augmented liking for competitive brands. For instance, this can be conveyed through imagery and associations used in competitive communications (Oliver 1999).

C. Conative Loyalty

True loyalty begins at the conative loyalty stage. This phase of loyalty can also be termed as “behavioural intention dimension of loyalty” (Oliver 1997, p. 393) and refers to a consumer’s intention or commitment to buy a particular brand. This construct is quite similar to the “impulse or compulsion to act”, which was termed the conative path in a model of purposeful behaviour (Bagozzi 1993). This conative behaviour is the result of an unplanned urgency in the behaviour of the consumers that does not involve a logical decision-making process. Conative loyalty presumes that attitudinal loyalty must be supplemented by a deeply held desire (or motivation) to intend an action, for example repurchase a specific brand.

Although, conative loyalty is stronger than affective loyalty, yet it is susceptible to the exhaustion of the impulsive or compulsive repurchase behaviour. For instance, repeated service delivery failures are a strong factor in diminishing conative loyalty and this in turn would lead the consumers to try alternative offerings. Although the consumer is conatively loyal, he has not yet developed the determination to avoid considering alternative offerings (Oliver 1999). Thus, conative loyalty falls short of the ultimate loyalty state.

D. Action Loyalty

The ultimate state of loyalty is action loyalty (Oliver 1997) in which a combination of intention and motivation result in a readiness to act and a desire to overcome obstacles which eventually lead to the action taking place. Action control studies have concluded that not all intentions are transformed into action (Kuhl and Beckmann 1985). The three previous loyalty
phases may result in a readiness to act (i.e., to buy). This willingness is accompanied by the consumer’s readiness to search for the favourite offering in spite of the requirement of considerable effort (i.e., information search) necessary to do so. Competitive offerings are not considered as alternatives.

Thus, action loyalty concludes the progression from cognition to attitude (affective) and conation (commitment to buy a certain brand) so that the intentions become deeds (actual purchase of that brand). At this stage it is presumed that the consumer’s loyalty or devotion to the brand is nearly unshakable.

2.10 Consumer Loyalty Research

Both the academicians as well as practitioners consider consumer loyalty to be important because of its numerous benefits to the firm. To elaborate, these benefits include lower costs associated with retaining existing customers than constantly recruiting new ones especially within mature, competitive markets (Ehrenberg and Goodhardt 2000). Furthermore, Reichheld and Sasser (1990) have concluded that when a company improves its customer retention by just 5 percent, its profits can increase between 25 and 85 percent (in terms of net present value) depending on the industry. Loyal consumers tend to outspend other consumers by ratios that can range from 5:1 in the hotel industry to 16:1 in the retail sector. It has also been empirically concluded that long-term customers are more likely to expand their relationship within the product range and therefore, the rewards from this group are long term and cumulative (Grayson and Ambler 1999). Shoemaker and Lewis (1999) have concluded that repeat or behaviourally loyal customers are thought to act as information channels, informally linking networks of friends, relatives and other potential customers to the organisation. Considering these benefits, it is not surprising that a vast stream of research has deliberated over the different antecedents of loyalty. Consumer satisfaction has been
regularly found to be a major antecedent to satisfaction. Hallowell (1996) concluded that satisfaction is related to consumer loyalty and consumer loyalty is related to the profitability of a firm.

Sivadas and Baker-Prewitt (2000) conducted a study to examine the relationship between service quality, satisfaction and loyalty in a retail store setting. The findings of the study showed that consumer satisfaction had a positive influence on relative attitude, repurchase, and consumer recommendation. However, they concluded that satisfaction has no direct influence on store loyalty.

Bloemer and Ruyter (1997) conducted an empirical research to study the relationship between store image, store satisfaction and store loyalty. Their major emphasis was on store satisfaction. The authors identified two types of store satisfaction, namely, manifest satisfaction and latent satisfaction as antecedents to store loyalty. Their study has confirmed the results of Bloemer and Kasper (1995) who reported a similar finding in relation to brand satisfaction.

Reynolds and Arnold (2000) conducted an empirical research in an upscale retail context to study the role of the salesperson in developing store loyalty. They concluded that satisfaction had a positive effect on the loyalty to the salesperson. They also concluded that satisfaction with the salesperson affects store loyalty and word of mouth recommendations. The most interesting conclusion of the study was that there existed a positive relationship between store loyalty and competitive resistance.

Carpenter and Fairhurst (2005) also empirically confirmed that customer loyalty has a mediating role in the link between customer satisfaction and word of mouth communication. This finding is important for theory building in this and other marketing and consumer contexts. The authors also concluded that customer loyalty mediates the relationship between
these constructs because it is a more stable concept when compared to consumer satisfaction. The study also recommended the retailers that it is important to understand this relationship and the associated implications in their pursuit of customer loyalty. In other words, delivering a satisfying shopping experience to the consumers may lead to attitudinal loyalty, and attitudinal loyalty can lead to behavioural loyalty (i.e., the consumer engaging in word of mouth communication) with the retail store brand. Based on these evidences, the present study hypothesizes that:

**H₃**: The consumer’s satisfaction with the PLB products is positively associated with the consumer’s loyalty to the PLB products.

**H₄**: Consumer’s attitudinal loyalty would mediate the positive relationship between consumer’s satisfaction and consumer’s word of mouth communication.

### 2.11 Word of Mouth Communication

Many of us must have already visited a restaurant recommended by a friend. A majority of us must have already taken a car to the repair shop that has a reputation for honesty and speed among friends or family members. Many of us must have watched a movie because it was recommended by a friend or family. This influential and persuasive process is known by marketers as word of mouth (WOM) communication or consumer-to-consumer communication. WOM communication is probably one of the oldest mechanisms by which opinions on products, brands, and services are developed, expressed, and spread (Lau and Ng 2001). Rice (2001) has quoted various research studies that indicated the significance of WOM in his study. It has been claimed that ‘80% of brand decisions are influenced by someone other than the marketer of the brand’, ‘65% of people seek advice from friends or family’, and ‘word of mouth and referrals are the primary sales and marketing tools for 61% of small companies in the USA.’
The importance of WOM has been long recognized by diffusion of innovation researchers (e.g. Ryan and Gross 1943), and has been acknowledged as the most important communication source between consumers (Derbaix and Vanhamme 2003). WOM is a social process of personal influence, in which the interpersonal communications between a sender and a receiver can vary the receiver’s behaviour or attitudes (Merton 1968). This interpersonal communication plays a major role in influencing the opinions and has also long been recognized by sociologists and psychologists, who in turn, identified the importance of “opinion leaders” in this process (Katz and Lazarsfeld 1955). This highly regarded ability of individuals to influence other people’s opinions is of prime interest to organizations that are seeking to market their products and services, and especially for those organisations whose market offerings cannot be easily trialled prior to purchase (Rogers 1995).

According to Arndt (1967a), “informal communication is probably the oldest mechanism by which opinions on products and brands are developed, expressed, and spread.” Arndt (1967b, p. 190) has defined WOM communication as, “oral, person-to-person communication between a perceived non-commercial communicator and a receiver concerning a brand, a product, or a service offered for sale.”

The WOM network of consumers is a subset of a larger social network and is functionally dependent on it. A few examples of WOM networks are neighbourhoods, social organisations, and places of business, e-mail exchanges, chat rooms, web sites and other forms of internet communications. Generally these networks operate independently as small clusters. Within these networks some consumers are regarded as opinion leaders as they have a high influencing power on the decisions of other members of the network.

Heckman (1999, p. 2) has defined WOM communication as, “…when people convey genuine enthusiasm for a product or service to others.” In the marketing context, Westbrook
(1987, p. 261) has defined WOM communications as, “informal communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services and/or their sellers.” In general, WOM can be defined as an informal type of communication between private parties with reference to the evaluation of goods and services (Dichter 1966) and it has been considered to be one of the most powerful forces in the marketplace (Bansal and Voyer 2000) and the formation of consumers’ attitudes (Bone 1995). WOM communication strategies are engaging because they combine the prospect of overcoming consumer resistance with considerably lower costs and fast delivery, especially through technology, such as the Internet.

Ennew, Banerjee, and Li (2000) have put forward the view that suggests that the value of WOM cannot be the same across product, market and organisational contexts. For instance, the influence of WOM is greater for products that have a predominance of experience and credence qualities or for products whose purchase is highly associated with perceived risk. In this light, it is imperative to bring to the notice that, WOM communications offer consumers the ability to make more informed choices and consequently the consumers can benefit from reduced perceived risk of a certain buying behaviour.

Roselius (1971) cited that risk averse consumers found WOM to be a very useful strategy in reducing most types of risk including functional, time, financial, psychological and social (Roselius 1971; Settle and Alreck 1989). Perceived risk is inherent in a majority of purchase situations, which explains why consumers like to undertake a pre-purchase trial. A study by McKinsey & Company found that 67% of the sales of consumer goods were based on WOM (Taylor 2003).

According to Rosen (2000) the most elemental motivation behind WOM communication is that people talk because they are programmed to talk. It is in the inherent
nature of individuals to share their experiences and to rely on others as sources of information instead of relying on formal and organizational sources such as advertising campaigns (Bansal and Voyer 2000). Without a doubt, WOM communication is exceedingly effective because of the fact that the source of the information has nothing to gain from the consumer’s subsequent actions (Schiffman and Kanuk 1997). To simply state, consumers appreciate WOM communication for the reason that it is seen as a more reliable and trustworthy medium than any other information sources (Day 1971).

The basic motivation for consumers to engage in WOM communication about a product or a service is four fold. Loudon and Della Bitta (1994) conducted a study of product talking behaviour and concluded the first reason for opinion leaders to engage in WOM communication about a product or a service to be product involvement. The use of a product or service can result in the origination of tension and in order to reduce this tension, consumers tend to talk about the pleasurable as well as un-pleasurable product or service experiences. For example, the purchase of an expensive product leads to some level of cognitive dissonance and to reduce this, consumers tend to talk to others to justify their purchase decision. To further elaborate, a consumer who purchased a new car will be likely to tell others about the advantages and features of the particular brand and also will be likely to speak positively about the information he received from reliable sources that made him support his decision to purchase (Rosen 2000).

Secondly, the influencer tends to seek confirmation of his decision and to gratify certain emotional needs (such as to gain attention; to show connoisseurship; to enhance feelings of being a pioneer; to convert the listener to use the product or service or to simply assert superiority) and therefore, self-involvement is a reason to engage in WOM communication (Loudon and Della Bitta 1994). Thirdly, the opinion leaders may also want to
genuinely help the listeners and therefore, would engage in WOM communication. This has been termed as “other involvement” (Loudon and Dell Bitta 1994).

Fourthly, the motivation to engage in WOM communication is message involvement (Loudon and Dell Bitta 1994). Message involvement is a direct descendant of the nature of advertising as it can stimulate WOM communication. For instance, advertising that is considered being original and entertaining (such as viral animations), may be the topic of conversation.

The inherent nature of WOM networks present several important characteristics. The first characteristic that makes WOM a powerful force in the marketing context is the source credibility. In the search for information, consumers tend to ask a person who has already experienced or tried the product or service and most of the times this communication takes place between friends and family and is facilitated in a trustworthy and supportive manner. Haywood (1989) has concluded that the credibility of the personal sources encourages consumers to try the product or service as the sources are perceived to be credible or knowledgeable about the product or service. The most important point in the credibility of the source is that these communications originate from individuals (i.e., friends or family) who do not have any commercial interest in persuading someone else to use or buy a product or service and therefore, the source does not have any particular interest in distorting the truth in favour of a specific product or service. In other words, WOM is initiated by a third party and transmitted spontaneously in a manner that is independent of the product or seller. This is true because the WOM communication is perceived to be originating from an unbiased third party (Mizerski 1982).

Secondly, in sharp contrast to the traditional methods (i.e., one-way) of marketing communications (i.e., advertising, sales promotions) the WOM networks involve a two-way
communication flow that allow the consumers to interact and obtain clarifications and this in turn, makes the WOM process more conducive to consumer learning and aid in brand recall. Thirdly, WOM communication is one of the most consumer driven medium of communication (Silverman 2001). The consumer takes the decision to communicate, i.e, WOM is a live communication. Consumers can obtain vital information about a brand by simply communicating with a family member, a friend or an acquaintance who has already tried the specific brand.

The rate of recurrence and strength of WOM communications is dependent on the types of products and markets being discussed (Gelb and Johnson 1995), the social networks involved (Alsop, Bassett, and Hoskins 2007; Frenzen and Nakamoto 1993; Reingen 1987), the relative social class of the person (Hugstad, Taylor, and Bruce 1987), and the culture (Money, Gilly, and Graham 1998) and personality (Feick and Price 1987) of the communicators.

WOM has a strong influence on consumer’s perceptions of product and service, and in turn this, leads to changes in judgments, value ratings and the likelihood of purchase (Arndt 1967a; Bone 1995). Martilla (1971) concluded that WOM was more important in the final stages of the purchase process because it assured the consumers and reduced post-purchase uncertainty (i.e., dissonance).

2.12 Word of Mouth Communication Research

There is a long history of academic research into the general process of the occurrence of WOM communications. As far back as 1898, Gabriel Tarde testified that conversation is, “the strongest agent of imitation, of the propagation of sentiments, ideas, and modes of action” (Graham and Havlena 2007, p. 427). In academic research, the focus of WOM studies has been primarily directed towards the study of WOM communication by opinion leaders.
(e.g., Engel, Kegerreis and Blackwell 1969; Haywood 1989; Iacobucci and Hopkins 1992; Martilla 1971), the study of WOM communication effects on the diffusion of new products (e.g., Arndt 1967; Brooks 1957; Czepiel 1974; Martilla 1971), the favourableness of the WOM communication (e.g., Arndt 1968; Bone 1995; Burzynski and Bayer 1977; Herr, Kardes, and Kim 1991; Swan and Oliver 1989), WOM communication in the context of information search behaviour (Kiel and Layton 1981; Tan and Dolich 1983; Udell 1966), and on the effect of WOM communication on the receiver of the communication (Arndt 1967, 1968; Bansal and Voyer 2000; Bone 1995; Brown and Reingen 1987; Burzynski and Bayer 1977; Charlett, Garland, and Marr 1995; Engel, Kegerreis, and Blackwell 1969; File, Judd, and Prince 1992; Gremler 1994; Herr, Kardes, and Kim 1991; Murray 1991; Price, Feick, and Higie 1989; Reingen and Kernan 1986; Richins 1983; Zeithaml 1981). However, very few studies have focussed on the sender of the WOM communication (Anderson 1998) in the context of PLBs and the potential antecedents of WOM communication (Brown et al. 2005; Harrison-Walker 2001).

Furthermore, there have been considerable studies that have examined the conditions under which consumers are likely to rely on others’ opinions to make a purchase decision, the motivations for different consumers to spread the word about a product, and the variation in strength of consumer’s influence on their peers in WOM recommendations. Considerable efforts have also been put into studies that have examined the frequency and types of WOM behaviour (e.g., Higie, Feick, and Price 1987), the effects of WOM behaviour on product evaluation (e.g., Giese, Spangenberg, and Crowley 1997), and the impact of WOM communication on social relationships (e.g., Brown and Reingen 1987).

Whyte (1954) and Brooks (1957) both found that a vast network of intra neighbourhood talking about products could affect the adoption of products. Around the same time, Katz and Lazarsfeld (1955) published a book titled, *Personal Influence*, in which they
identified individuals who influenced consumers by filtering marketing information while incorporating their own opinions, actions, and decisions in communicating with others. These individuals were referred to as “opinion leaders.” They further put forward that WOM is seven times more effective than newspaper and magazine advertising, twice as effective as radio advertising, and four times more effective than personal selling in influencing consumers to switch brands. The interpersonal theories presented by the authors have stimulated further research on how opinion leaders’ impact other consumers’ decisions.

Dichter (1966) conducted a study to examine the motivations for consumers engaging in positive WOM. Based on subjective evidence, the author identified four categories of motivations for engaging in positive WOM, namely product involvement (to relieve tension or excitement caused by the use of product), self enhancement (to gain attention, show connoisseurship, and seek reassurance from others), message involvement (to share exposure to unique or intriguing advertisement or selling appeals), and other involvement (to help others). Britt’s (1966) determining review of the derived relationship between consumer behaviour theory and the social sciences pointed out the impact of WOM on consumers.

Day (1971) continued on the research of Katz and Lazarsfeld (1955) and found that WOM communication was at the least nine times as effective as traditional advertising in aiding the conversion of unfavourable or neutral consumer’s predispositions into positive attitudes.

Mahajan, Muller, and Kerin (1984) conducted a study to develop a diffusion model which could account for a positive or negative WOM. Their application was a pilot study of motion picture attendance. Monahan (1984) employed Markov analysis to develop an analytical model of advertising and WOM connectivity. Brown and Reingen (1987) studied WOM referrals for products in a “natural setting”.
Herr, Karders, and Kim (1991) conducted a study to ascertain the connection between WOM information and product evaluation. They concluded that negative WOM communication decreases the product familiarity. Their research primarily concentrated on the method via which the communication took place (i.e., vividly vs. pallidly) and the type of communication exchanged (i.e., anecdotal vs. attributed related).

Giese, Spangenberg, and Crowley (1997) conducted a study to examine the effects of WOM behaviour on the evaluation of products and found similar results to those of Herr, Karders, and Kim (1991). The authors made use of an experimental method to demonstrate that negative WOM communication is influential in reducing the product familiarity. On the other hand, the study concluded that positive WOM communication does not enhance the familiarity with a product.

Lam and Mizerski (2005) conducted a study to investigate how individuals’ locus of control impacted their likelihood to engage in WOM communications. The study found that individuals with a high internal locus of control were more likely to take part in WOM communications than their friends and family, than low locus of control individuals who do not (Lam and Mizerski 2005).

Liu (2006) conducted a study to examine the dynamic patterns of WOM and how it helps explain box office revenue. The author concluded that in the area of entertainment such as movies, there may be a lot of word of mouth going on even before the actual product has been experienced by the potential customers. According to the author, “WOM communication about a to-be released new product may not depend on actual experience. Many potential users talk about the product on the basis of speculations” (p. 87).
Parridon, Carraher, and Carraher (2006) conducted a study to analyze the effect of income on personal shopping value (i.e., hedonic and utilitarian value), consumer self confidence, and information sharing (i.e., WOM communication). The authors concluded that self confidence mediated the effects of hedonic and utilitarian experiences on WOM communication. However, they found inconclusive evidence of the effects of personal confidence upon WOM communication.

Luo and Homburg (2007) examined the relationship among consumer satisfaction, WOM communications, efficiency and the performance of human capital. Using a game-theoretic approach, Mayzlin (2006) examined promotional chat on the internet. While much more has been written, the foregoing gives a sample of the types of research and approaches that have been used to look at WOM.

H5: The consumer’s satisfaction with the PLB products is positively associated with the consumer’s word of mouth communication behaviour about the PLB products.

2.13 Consumer’s Intention to Switch

While a range of consumer behaviours related to consumer satisfaction/dissatisfaction have been explored, one of the more prominent has been consumers’ intention to switch. The intention to switch has multiple damaging effects on the firm. Foremost among the effects is the threat of the reduction of market share and profitability. Furthermore, there is a possibility of negative word of mouth also. The intention to switch can be defined as consumers’ intention to stop consuming or change the brand of purchase (Keaveney 1995).

The importance of retaining consumers is evident from the findings of previous studies that have indicated that when consumers terminate their relationships with the firm, the firm may incur high costs. Keaveney (1995) has pointed towards the fact that when firms
lose a consumer they are not only losing future earnings and incurring the cost of finding new consumers, but they are also probably losing a loyal consumer, which means giving up high margins. Over a time period, loyal consumers increase their expenditure with the firm, and they become less price-sensitive.

The problem becomes more serious if consumers’ greater access to information and their growing capacity to choose the best option is considered. Consumers are becoming increasingly intolerant of inconsistency or mediocrity, and they have the freedom to choose to dissolve the relationship as soon as any problem arises. In this respect, Roos (2002) has pointed out that there are a few critical relationships that are more likely to end because of their context, which includes the ability of competitors and consumers to adapt to changes. Therefore it has been hypothesized as:

\( H_6: \) The consumer’s satisfaction with the PLB products is associated with the consumer’s intention to switch from the PLB products.

### 2.14 Private Label Brands

Every day there is fresh news of the expansion of private label brands (PLBs). In 2006, Carrefour S.A., a French multinational hypermarket chain, headquartered in Levallois-Perret, France, launched its mobile phone range under its own brand, and aimed to turn the launch into a tool for creating consumer loyalty that would itself be profitable and a channel for growth. The mobile phone range was carried by the 218 hypermarkets under the Carrefour name and was visited by one million customers every day. The point to note here is that this is not an isolated phenomenon. PLBs are on the rise everywhere, and are now part of the competitive environment. The growth of PLBs has been attributed to two important reasons. Firstly, growth of PLBs has been because of increased consumer recognition of PLBs. The second reason for the growth of PLBs is the motivation of retailers to obtain
higher profits, along with increased capability of retailers to manage PLBs (Dhar and Hoch 1997; Messinger and Narasimhan 1995). Furthermore, according to Hoch and Banerjee (1993), retailers advertise the national brands (which enables them to attract consumers to the store) and sell PLBs (which usually have lower variable costs and therefore have higher margins) to the price-sensitive consumer segment.

According to Morris (1979), PLBs are, “consumer products produced by or on behalf of, distributors and sold under the distributor’s own name or trademark through the distributor’s own outlet.” According to Schutte (1969) a PLB is owned and controlled not by a manufacturer or producer but by a retailer whose primary economic commitment is distribution. PLBs are defined by Baltas (1997) as, “consumer products produced by, or on behalf of, retailer and sold exclusively by them under their own name or trademark within their own chain of stores.” Fitzell (1992) has suggested that exclusivity is the key word as competitors in the same market do not carry the same PLBs. According to Lincoln and Thomassen (2008, p. 6) PLBs are defined simply as, “brands owned and sold by the retailer and distributed by the retailer.” In other words PLBs are those products that are sold under a retailer’s or wholesaler’s own labels rather than being sold under the name of a national manufacturer (Boone and Kurtz 1995; Kotler and Armstrong 1995).

2.15 Private Label Brand Research

The earliest studies on PLBs go all the way back to the 1960’s. These studies were primarily focused on describing the PLB prone consumers for segmentation purposes (Burger and Schott 1972; Frank and Boyd 1965; Myers 1967; Rao 1969). The demographic, psychographic and behavioural characteristics of PLB consumers revealed that educated households, large families, and older female heads were more likely to use PLBs. However, the absolute
magnitudes of the effects were small and this lead Frank and Boyd (1965) to conclude that there were no socio-economic differences between national brands and PLB buyers.

Not long time back, PLBs were considered to be cheap imitations of poor quality bought only by less affluent customers (Veloutsou, Gioulistanis, and Moutinho 2004), but now they have become innovators and are quick to offer consumer products that match with the latest trends in the markets (for instance, organic farming, fair trade, exoticism, gourmet dishes and so on).

Bellizzi et al (1981) conducted a survey to obtain the perceptions of national, private label, and generic brands through a series of Likert-type scales. The respondents rated private label brands below the national brands on attributes related to quality, appearance, and attractiveness. In the same way, Cunningham, Hardy, and Imperia (1982) concluded that consumers rated national brands as being superior to private label and generic brands in terms of taste, appearance, labeling, and variety of choice.

Livesey and Lennon (1978) concluded that some shoppers exhibited an aversion to buying store brands regardless of the amount of savings associated with their purchase. Invariably, all studies indicate that private label brands suffer from a low-quality image compared with national brands. In other words, to be successful, PLBs need to have a combination of low price and high quality (Stambaugh 1993). It is also worthwhile to note that a major focus on quality as opposed to price would help in producing favorable perceptions of PLBs and increase consumers' loyalty toward these products.

Rao (1969) conducted a study to describe the PLB prone consumer in terms of store loyalty. The author defined store loyalty as a repurchase rate, or the proportionate number of times a housewife visited the same store consecutively. The study concluded that the proportion of PLB coffee purchases was significantly related to the calculated store loyalty
index. The study also found that some consumers may be less likely to differentiate among PLBs from different retail chains. The author attributed this consumer characteristic to consumer price sensitivity as PLBs were cheaper than national brands. This interaction of the value for money and the quality argument is an important facet of a modern day retailer’s PLB marketing strategy.

Richardson, Dick and Jain (1994) conducted a study to investigate the correlation of price sensitivity (i.e., value for money) with greater PLB purchases. Quite opposite to the popular notion, the authors found that perceived quality was a better indicator of purchase than consumer’s perceived value. This was a path breaking finding as PLB marketing strategies focus primarily on either price or quality. These findings indicated that a strategy focused on improving the quality would be more beneficial to retailers.

Burton et al. (1998) developed a scale to measure consumers’ attitudes towards PLBs. They employed a multi-item scale to and found that consumers’ attitudes toward PLBs were negatively correlated with brand loyalty, price-quality perceptions and impulsiveness. In particular, Baltas (1997) conducted a study to examine consumer characteristics that drive consumers to have a positive attitude towards PLB products. The study concluded by finding four basic variables, namely, purchase behaviour, reasons for preference, attitudes toward PLB products, and involvement. The study also suggested that, due to this reason, consumers may actually prefer buying PLB products from a familiar retailer who offers them a guarantee for the purchase of a low-priced product, instead of buying an unknown brand that has a level of uncertainty and financial risk.

Corstjens and Lal (2000) employed game theoretic analysis to study the role of PLB in building store loyalty. Conceivably, the most important finding of the study was the complementary nature of national brands and PLBs. They also found that when consumers
are sensitive to product quality and brand choice, then the quality store brands can be used as an instrument to create store differentiation and this in turn would lead to the development of store loyalty and store profitability. This relationship was applicable for packaged goods categories and not for cheap PLBs. The authors have further highlighted that store brands and national brands play complementary roles. While the store brands have become a source of store differentiation and loyalty, the national brands play the role of increasing the price of store labels thereby contributing towards store profitability.

Ailawadi, Neslin, and Gedenk (2001) conducted a study to identify the demographic and psychographic variables that have an impact on the consumer’s usage of PLBs and national brand promotions by considering the economic benefits, hedonic benefits, and costs of partaking in these behaviours. The authors employed structural equation model to study the relationship of these attributes with the use of PLBs, in-store promotions for national brands and out-of-store promotions for national brands. They concluded that consumer demographics (i.e., income, employment status, children in the household, type of residence, age, sex, and education) indirectly affect the usage of PLBs and national brand promotions, but they do affect psychographic characteristics (i.e., product quality, savings, entertainment, exploration, and self-expression). In turn, these psychographic variables have a direct effect on the usage of PLBs and national brand promotions. Furthermore, the authors also identified various psychographic variables that lead to consumer’s usage of PLBs and concluded that economic benefits and costs (i.e., price and quality) are correlated to the use of PLBs. Additionally, the use of out of store promotions was positively correlated with utilitarian and hedonic benefits.

The study also identified a typology of consumers based on their usage of PLBs, national brands, and promotions. The study identified four well defined and distinct consumer segments. The first segment identified was deal-focused consumers who were categorized as
heavy users of promotions regardless of the product type (PLBs or national brand). The second segment was termed as store brand focused who used PLBs most frequently. Furthermore, the third segment consisted of users of both deal and store brands. The last segment consisted of non-users of both deals and store brands. Sudhir and Talukdar (2004) conducted a study on store brand patronage and found that store brands do create differentiation for the stores in the eyes of the consumers and help in the development of patronage towards the stores when introduced in the market.

2.16 Moderating Effect of Demographic Variables and Product Category

Way back in 1972, Frank, Massy, and Wind (1972, p. 124-125), raised a question that whether consumer’s buying behavior was determined primarily by certain general consumer characteristics such as consumer’s personality, socio-economic, or demographic factors, or is it also determined by certain product-specific characteristics. A thorough review of the past research has suggested that indeed there are variations in consumer’s buying behavior based on these two characteristics (e.g., Mittal and Kamakura 2001; Peterson and Wilson 1992; Ross et al. 1999; Varki and Rust 1997; Venn and Fone 2005). It has been found that consumer characteristics moderate the relationship between satisfaction and its resultant behavioral outcomes (Baumann, Burton, and Elliott 2005; Homburg and Giering 2001; Homburg, Giering, and Menon 2003; Keiningham, Perkins-Munn, and Evans 2003; Mägi 2003; Mittal and Kamakura 2001).

In the context of PLBs, Richardson, Jain, and Dick (1996) put forward that since PLBs are sold at a lower price when compared with national brands, the demographic status of the consumers affects their propensity to purchase. On the other hand, Baltas and Doyle (1998) contend that many of the demographic findings into the patronizing of PLBs are mixed, unclear or outdated.
Given the contradictory findings from the past research, the present study investigates three socioeconomic (gender, age, and income) and one situational (product category) variables. These variables have been specifically selected because a stream of past research has shown each to affect behavioral outcomes. A concise discussion of each of these potential moderators and their resultant effect follows.

2.16.1 Moderating Effect of Gender

Previously shopping was considered to be a female activity (Buttle 1992). Females were more likely than males to shop for specific items (such as food and grocery, and apparel), while males are in charge of shopping for specialized items (such as life insurance, cars, and house maintenance). However, it has been observed that these trends have phased out as the roles of men and women tend to overlap gradually (Darley and Smith 1995). Recent evidence shows that men are shopping almost as much as women (Firat 1993; Othnes and McGrath 2001). Prior researches also show that men search shopping information in a way similar to that used by women (e.g., Avery 1996).

However, males and females exhibit different shopping attitudes and behaviors (Darley and Smith 1995; Fischer and Arnold 1994; Qualls 1987). In 1989, Meyers-Levy put forward the “selectivity hypotheses” that states that by and large, women are inclined to engage in more detailed, elaborative, and comprehensive information processing when compared with men. While on the other hand, men, in general, are prompted by extrinsic motivations (Meyers-Levy 1989; Meyers-Levy and Maheswaran 1991). In the absence of such extrinsic motivations, women are more probable to assimilate all the available information. On the other hand, men have a tendency to rely on a single cue or a multitude of cues that imply a single inference. Furthermore, the “social role theory” (Archer 1996; Eagly 1987) posits that socially men are expected to engage in risky behavior, therefore, men are
more willing to take more risks when compared with females (Powell and Ansic 1997; for a discussion of gender differences in shopping risk, see also Garbarino and Strahilevitz 2004). Given the risky nature of switching products and trying something new, men can be said to be less likely to remain loyal if their satisfaction levels go down. On the contrary, women are expected to react comparatively less strongly to changes in their satisfaction levels.

Since gender has been shown to affect the process of consumption, it is likely that gender differences exist in shopping value and consumer satisfaction. Furthermore, Zeithaml (1988) has posited that males and females differ in many aspects of consumption, product choice, and response to advertising and product positioning. Gender has been one of the most extensively researched moderator variables in the field of marketing (Saad and Gill 2000). It has also been long established that the effects of gender on information processing is significantly different for males (selective/item specific information processors) and females (comprehensive/relational information processors). Darley and Smith (1995) conducted a study to understand the effect of gender on information processing. They concluded that females were more comprehensive information processors, while men were selective information processors.

Gender is one of the demographic or socioeconomic variables that have been used quite extensively for customer classification and product market segmentation (Alexander, 1947; Darley and Smith, 1995; Nysveen, Pedersen, and Thorbjørnsen 2005). Mittal and Kamakura (2001) as well as Homburg and Giering (2001) have concluded that the relationship between satisfaction and repurchase behaviour is stronger for men when compared with women. In other words, men who are satisfied with a product are more likely to exhibit repurchase intension than women. Mittal and Kamakura (2001) also contended that satisfaction ratings were higher for females in the context of automobiles. Chang, Burns, and Francis (2004) concluded that the role of hedonic shopping value in shopping experience
satisfaction differed between males and females. For females, hedonic shopping value mediated the relationship between the antecedents, such as involvement, variety-seeking tendency and physical store environment, and overall shopping satisfaction, whereas for males, the authors did not confirm the mediation. This has been further confirmed by Carpenter and Moore (2009) that regardless of the type of store, females perceived significantly higher levels of hedonic shopping value than males. Research has also found males to be significantly lower than females in task orientation (Kavussanu and Roberts 2001), thus suggesting that the utilitarian shopping value may be lower for males. Thus, it is proposed that:

**H7:** The relationship among consumer’s shopping value (i.e. utilitarian and hedonic values), consumer’s satisfaction and its behavioural outcomes (i.e. consumer’s loyalty, consumer’s word of mouth communication and the consumer’s intention to switch) is significantly moderated by the gender of the consumers.

### 2.16.2 Moderating Effect of Age

A review of the past literature emphasizes on the importance of consumers’ age in the analysis of their behavior (Harrison and Rainer 1992). Age has been shown to moderate the relationship between satisfaction and loyalty (Baumann, Burton, and Elliott 2005; Homburg and Giering 2001). Consumers on the higher side of age tend to be more loyal to a particular brand than younger consumers in the banking (Baumann, Burton, and Elliott 2005) and automotive (Lambert-Pandraud, Laurent, and Lapersonne 2005) industries.

However, the expected relationship between age and loyalty is not universal. On the basis of “information processing theory”, a few studies (Wilkes 1992; Yoon 1997) have concluded that older consumers are more likely to rely on heuristic or schema-based forms of information processing and are less likely to seek new information (Moscovitch 1982; Wells...
and Gubar 1966) and therefore, they can be expected to rely on fewer decision making criteria, like their perceived satisfaction. On the contrary, a study by the American Association of Retired Persons has found that older consumers are just as apt to switching brands or experimenting with alternative brands as are younger consumers (Moos 2004). Mittal and Kamakura (2001) confirmed that the relationship between satisfaction scores and repurchase behavior for automobiles is stronger for younger consumers than for older consumers. Age has been linked negatively to customer share (East et al. 2000). East et al. (2000) have proposed that since older consumers have more free time, therefore, they are able to spend more time shopping.

Quite a few studies have established that the middle age segment is the most loyal. Even though, their results did not support the hypothesis, Richardson, Jain, and Dick (1996) have suggested that the experience of older shoppers makes increases their propensity to consider PLBs as viable alternatives to national brands. Echoing their assumptions, McGoldrick and Andre (1997) have stated that loyal consumers are more likely to belong to the middle-aged group. Wright and Sparks (1999) have further laid support to this and affirmed to the existence high loyalty in the 35–44 age group. Additionally, Homburg and Giering (2001) have concluded that age moderated the link between satisfaction with the product and loyalty, such that they were stronger for older consumers. On the contrary, Dick, Jain, and Richardson (1995) found that older shoppers purchased national brands while younger consumers favoured PLBs. Mägi (2003) concluded that age is not a significant moderator in the relationship between consumer satisfaction and loyalty in the case of food and grocery consumers. On the basis of these theoretical reasoning and the empirical evidence, the present study expects:

**H₀:** The relationship among consumer’s shopping value (i.e. utilitarian and hedonic values), consumer’s satisfaction and its behavioural outcomes (i.e. consumer’s loyalty,
consumer’s word of mouth communication and the consumer’s intention to switch) is significantly moderated by the age of the consumers.

2.16.3 Moderating Effect of Income

Investigating income differences between consumers has been a prevailing subject in marketing due to its constructive contribution to the development of retail strategies. Consumption patterns have often been associated with class position (i.e. income levels) (e.g., Martineau 1958). The impact of income in relation with utilitarian and hedonic shopping value has been mentioned in previous studies. An inspection of those earlier results leads us to presume of a certain pattern in this manner (Bellenger, Steinberg, and Stanton 1976; Dawson, Bloch, and Ridgway 1990; Sit, Merrilees, and Birch 2003). A case in point, it has been concluded that low-income consumers have a tendency to be appealed by the hedonic facet of shopping. On the contrary, high-income consumers are attracted more by the utilitarian dimension of shopping (Sit, Merrilees, and Birch 2003).

A large body of research has pointed towards the negative linkage between income and consumer loyalty (Crask and Reynolds 1978; Korgaonkar, Lund, and Price 1985; Zeithaml 1985). Along the lines of the theoretical explanation proposed to justify the moderating effect of education on consumer behaviour, it has been confirmed that consumers with higher income have achieved higher levels of education and therefore, process information better (Farley 1964; Walsh and Mitchell 2005). Predictably, consumers with higher incomes tend to easily switch products when they become dissatisfied or bored. While on the other hand, consumers with low-income are quite probable to avoid search costs and continue to patronize the product, even if their satisfaction levels decline. It is also evident that when compared with high-income consumers, consumers with low-income, incur relatively higher opportunity costs when switching products. As a result, maintaining an
unsatisfactory relationship can be preferred (in terms of overall utility) over searching for and switching to a new product that has the potential to turn out to be even worse (i.e. offer less satisfaction) than the current one. It can also be inferred that since income and education are correlated, therefore, consumers with low-income are likely to prefer to avoid the “cost of thinking” (Shugan 1980) and use less decision making cues, such as satisfaction, when evaluating products. To summarize, defection and searching for a new product invariably involves information processing cues, which consumers with low-income are in general motivated to avoid.

Therefore, a change in the satisfaction level of consumers with low-income is likely to result in a greater change in loyalty levels than it would for consumers with higher-income. This can be ascribed to the fact that consumers with lower-income lack other variance-explaining information cues, whereas consumers with higher-income search for information cues other than their current satisfaction level to determine their repurchase intention. Additionally, Homburg and Giering (2001) have found partial evidence of the moderating effect of income on the relationship between satisfaction and loyalty. With respect to these empirical results and the theoretical reasoning, it is hypothesized that:

**H9:** The relationship among consumer’s shopping value (i.e. utilitarian and hedonic values), consumer’s satisfaction and its behavioural outcomes (i.e. consumer’s loyalty, consumer’s word of mouth communication and the consumer’s intention to switch) is significantly moderated by the income of the consumers.

**2.16.4 Moderating Effect of Product Category**

Product categories may play an important role in consumers’ evaluation of the hypothesized relationships. A consumer usually starts judging a product in order to find the benefits it brings and the satisfaction it promises (Reynolds and Beatty 1999). The generic or
unbranded product, especially, PLB products, would be enough to start such a selection process. Way back in 1956, Cunningham concluded that consumers were differentially loyal to different products and this was attributable to the products themselves as well as to the existent differences in consumer’s attitudes to different products.

Wind and Frank (1969) studied brand loyalty and private brand proneness of consumers and concluded that consumer’s loyalty differed across different product categories. The analysis of consumer buying behavior across product categories requires the control for the similarity of the product categories involved (Blattberg, Peacock, and Sen 1976). It follows the supposition that consumer buying strategies will be similar if the product categories are similar. Conversely, if the product categories are dissimilar, consumer buying behaviour is probable to be different.

Many consumer packaged goods categories are dominated in terms of the number of available range of products by the PLB retailers. Some of these PLB retailers have long product lines in multiple categories (i.e., food and grocery, consumer durables and apparel). For example, Pantaloon Retail offers a wide range of PLB products across these three product categories, by making use of well recognized umbrella brand names across these categories (see Appendix II for details). The hypothesis framed is:

**H10:** The relationships among consumer’s shopping value (i.e. utilitarian and hedonic values), consumer’s satisfaction and its behavioural outcomes (i.e. consumer’s loyalty, consumer’s word of mouth communication and the consumer’s intention to switch) is significantly moderated by the category of PLB product.