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PERCEIVED CUSTOMER VALUE AND PERCEIVED RELATIONSHIP QUALITY IN RETAIL

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Abstract

Quality relationships with customers are the very essence of relationship marketing. It is necessary to create and deliver customer value to develop relationship marketing successfully, and to gain sustainable customer loyalty. Having in mind contemporary customers who look for higher customer value the question arises as to whether delivery of higher value is a key to creation of long-term profitable relationships with customers on the retail market. In this paper influence of perceived customer value on perceived relationship quality in retail will be researched. Perceived value has been determined as two-dimensional, as emotional and economic value. Relationship quality in retail will be measured by satisfaction and trust dimensions. The obtained research results will enable better understanding of relationship between the two concepts in retail. It will also provide presumptions for successful management of relationship quality according to perceived customer value dimensions.

Keywords: *perceived customer value, perceived relationship quality, retail*

1. INTRODUCTION

Fast technological progress, demanding customers, ruthless competition, low economic growth are all aspects that set imperative for the companies on finding new ways of competitiveness. More than ever suppliers have to be close to customers and at their disposal creating quality relationships with them. Exactly that closeness between a company and the customers enables timely and appropriate reaction by a company on customers' needs and wishes.

Building a quality relationship that enables good understanding of the market and its needs requires the service organisation to be mindfully customer oriented, competent at service and effective in communicating with customers (Ndubisi, 2012). Customers stick to those companies where they are the centre of attention. Existence of interaction between service users and suppliers opens a possibility for development and improvement of relationship quality. It is

less possible, in the retail environment to shape authentic and quality relationships (Wong and Zhou, 2006) due to lower interaction intensity. But, De Wulf, Odekerken-Schröder and Iacobucci (2001) research results emphasise the importance of relationship quality in a retail setting.

According to Sweeney and Soutar (2001) if it is true that retail customers are value-driven (Levy, 1999) then managers need to understand what customer's value is and where they should focus their attention to achieve this needed market place advantage (Woodruff, 1997). Therefore, learning about customer value and related knowledge, which can provide sufficient customers voice to guide managers how to respond, is playing an ever important role in a firm's increasingly competitive environment. (Wang, Lo and Young, 2004).

As differentiation in retail, based on assortment, prices or promotion becomes more complicated, development of quality relationships with customers based on delivered value for customers can be considered as increasingly evident way of successful competition in retail.

Both perceived value and relationship quality are highly researched constructs in the literature. However, limited attention has been paid to the research that connects them.

This paper will focus on customer value and relationship quality as multidimensional constructs. In addition, influence of perceived value for customers on perceived relationship quality in retail (hypermarkets) will also be in focus.

2. CUSTOMER VALUE

Literature review reveals differences in approach when it comes to definition and conceptualisation of perceived customer value. It is possible to identify two approaches to conceptualisation of perceived value: one-dimensional and multi-dimensional. The most popular conceptualisation of perceived value in literature is the one of functional nature, where the value is defined in terms of performance (quality) and price, i.e. value is cognitive exchange between benefit and sacrifice (Sánchez Fernández and Iniesta-Bonillo, 2007). Abovementioned view is the essence of one-dimensional approach and most of the studies on perceived value are based on it, but the one-dimensional approach does not reflect the complexity of the customer's perception of value (Sanchez Fernandez and Iniesta - Bonillo, 2007). If a value is perceived as a combination of utilitarian and hedonistic approaches, it is obvious that an affective component reflecting entertainment and emotional value should also be incorporated into conceptualisation of customer value (Lemmink et al., 1998).

Therefore, on one hand, perceived value can be understood as a relationship between what has been gained and what has been sacrificed (Zeithaml 1988). However, necessity of perceived value conceptualisation as multidimensional construct is increasingly emphasised. Based on empirical studies Sheth, Newman and Gross (1991) have identified five following dimensions of perceived value: social, emotional, functional, cognitive and conditional. Sweeney and Soutar (2001) have introduced modified model (PERVAL) in which they have suggested decomposition of functional dimension of value in "quality" and "price", and they have suggested elimination of cognitive and conditional elements. PERVAL scale identifies three basic dimension of value, and they are as follows: emotional value (feelings that are generated by a product); social value (usefulness that comes out from product's possibility to enrich customer's social self - concept); and functional value composed of sub-dimensions, price (usefulness that product generates thanks to decrease in perceived long-term and short-term costs), and quality (that relates to product performances). Sweeney and Soutar emphasise that multidimensional feature of perceived value explains customers' selection both statistically and qualitatively better than one-dimensional feature of perceived value - "value for money". Reasons to create one of these scales are based on MacKay's (1999) considerations. He emphasises that attractiveness of products and services are based on combination of rational and emotional factors, and that feelings play role in every purchase decision (but)...only some decisions are completely based on feelings.

3. RELATIONSHIP QUALITY

Relationship quality is considered as the central idea in literature on relationship marketing (Smith 1998). Relationship quality can be determined as a level of suitability of relationship with customers that enables meeting their needs associated with the relationship (Hennig-Thurau and Klee, 1997).

Concept of relationship quality has penetrated from theoretical and empirical findings at the area of relationship marketing (Crosby et al., 1990, Dwyer and Oh, 1987). According to American Marketing Association, relationship marketing is the one with the conscious aim to develop and manage long-term and trusting relationships with customers, distributors, suppliers, or other parties in the marketing environment. Levitt (1996) defines relationship quality as a bundle of intangible value which augments product or services and results in an expected interchange between buyers and sellers. Relationship quality refers to customer's perceptions of how well the whole relationships fulfils the expectations, predictors, goals and the desires the customer has concerning the whole relationship (Jarvelin i Lehtinen, 1996) According to Grönroos (1990) all parties in exchange have to profit in order to maintain the relationship. Long-term relationships are built on mutual benefit and trust. Concept of relationship quality as total estimation of relationship power with customers is important concept within relationship marketing (Smith, 1998, Garbarino and Johnson, 1999). Relationship quality is total estimation of relationship power and level to which needs and expectations of parties are fulfilled in exchange based on previous experience (Crosby et al., 1990).

Literature on relationship quality reveals compliance that relationship quality between the parties in exchange is important determinant of continuity and relationship intensity, and thus success of relationship marketing (Hennig-Thurau and Hansen, 2000).

Generally, relationship quality relates to the level to which parties in exchange trust one another, in which they are satisfied with mutual relationship, and in which they are consistent, devoted to long-term cooperation (Smith, 1998). The above-mentioned definition is in accordance with the existence of compliance in literature about key (in research the most common) dimensions of relationship quality, and they are the following: trust, satisfaction and commitment.

4. CUSTOMER VALUE AND RELATIONSHIP QUALITY

The literature reveals scarcity of conducted research on relationship between perceived value and perceived relationship quality. At the start of relationship with customers, the value of every transaction is of a great importance, while in later stages perceived quality of relationships takes primacy (Ravald and Grönroos, 1996). In theory, perceived quality of relationships with customers is conceptualised as an overall assessment of relationships in sense of positive value accumulated over time (Sánchez-García et al., 2007 in Gummesson, 1987). Perceived value positively influences relationship quality. Greater perceived value at transaction level results in better relationship quality (Sánchez-García et al., 2007).

5. RESEARCH METHODOLOGY

Research tool (questionnaire) was developed using relevant scientific literature that was adjusted to chosen research topic. It consists of a set of claims that are related to dimensions of customer value and relationship quality with which the respondents expressed intensity of their agreement or disagreement. Likert's scale of seven intensities was used in it.

During operationalisation of perceived values subjectivity and multi-dimensionality, described by different authors (Sheth et al., 1991, Sweeney and Soutar, 2001), are adopted in this paper. Perceived value is determined two-dimensionally, as emotional (Sweeney and Soutar, 2001)

and as economic value (Sweeney and Soutar, 2001). Emotional value relates to feelings generated by purchase and exchange relationship. Economic value relates to benefit generated by purchase and relationship with supplier in relation to realised costs. Perceived relationship quality in retail is measured by dimensions of satisfaction and trust, based on the work of De Wulf et al. (2001). The measurement scales and indicators used in this study are shown in Table 1.

Table 1 Measurement scales and indicators

Measurement scales	Indicators	
Emotional value	- I enjoy to shop at this store.	Sweeney and Soutar (2001)
	- I feel relaxed shopping at this store.	
	- I feel good shopping at this store.	
	- Shopping at this store gives me pleasure.	
Economic value	- Products are reasonably priced.	Sweeney and Soutar (2001)
	- This store offers value for money.	
	- This store offers good products for the price.	
	- Buying at this store is economical.	
Satisfaction	- As a regular customer, I have a high-quality relationship with this store.	De Wulf et al. (2001)
	- I am happy with the efforts this store is making towards regular customers like me.	
	- I am satisfied with the relationship I have with this store.	
Trust	- This store gives me a feeling of trust.	De Wulf et al. (2001)
	- I have trust in this store.	
	- This store gives me a trustworthy impression.	

Field research was carried out during January 2019 on the sample of 740 respondents. Applied sample is, according to its characteristics, quota sample with the following control variables: city (Sarajevo, Tuzla, and Mostar) and stores (Konzum, Bingo, Mercator). In order to be a part of sample, respondents have had to be regular customers of consumer products (food and non-food products) in one of hypermarkets selected for this research within the area of the Federation of Bosnia and Herzegovina.

Statistical data processing was conducted in SPSS for Windows, version 20.0. Multiple regression analysis with two independent variables was used. Coefficient of correlation (R) and coefficient of determination (R^2) were calculated, t-test was used to test significance of the parameters, and F test was used to test significance of the set model. The level of significance is set at $p=0.05$.

The sample included 740 respondents, out of which 338 (45.7%) were men and 402 (54.3%) were women. All respondents are older than 25. Age range is from 25 to 65. The analysis of the education indicates that 76.8% of respondents a secondary education while 23.2% have higher education. Work status indicates that employed persons (47.7%) dominate the sample, almost one quarter is unemployed (23.5%) and the rest are retired persons, housewives and students. The income distribution shows the following: 23.6% of respondents have the income less than BAM 700, 24.2% have the income between BAM 700 and BAM 1000, 15.5% between BAM 100 and BAM 1500, and 11.2% higher than BAM 1500, while a quarter of respondents did not answer this question.

Cronbach's Alpha was calculated for all measurement scales and the results are as follows: emotional value 0.839, economic value 0.832, relationship satisfaction 0.776, trust 0.807. The obtained results show that all measurement scales have good internal consistency.

6. RESEARCH RESULTS

The results indicate that perceived customer value dimension is significantly related to perceived relationship quality in retail dimension (Table 2). The obtained correlation coefficients have a positive sign indicating that the growth of value for customers (whether emotional or economic) implies a rise in satisfaction and confidence.

Table 2 Correlation between perceived value dimensions and relationship quality dimensions

		Satisfaction	Trust
Emotional value	Pearson Correlation	0.792**	0.838**
	Sig. (2-tailed)	<0.001	<0.001
	N	740	740
Economic value	Pearson Correlation	0.751**	0.751**
	Sig. (2-tailed)	<0.001	<0.001
	N	740	740

** . Correlation is significant at the 0.01 level (2-tailed).

Source: author's calculations

Two models of multiple regression were set putting satisfaction and trust as criterion (depending variables), and perceived customer value dimensions as predictors (independent variables). The results are presented in Table 3.

Table 3 Results of multiple regressions

	Satisfaction			Trust		
	b	β	p	b	β	p
(Constant)	0.838		<0.001	0.620		<0.001
Emotional value	0.527	0.527	<0.001	0.653	0.644	<0.001
Economic value	0.330	0.340	<0.001	0.244	0.248	<0.001
F value		759.534			978.316	
p		<0.001			<0.001	
R		0.821			0.852	
R ²		0.673			0.726	
Adjusted R ²		0.672			0.726	

β – Standardised coefficients

Source: author's calculations

It was determined that the model with satisfaction as criterion variable is significant and coefficient of determination indicates that researched variables share 67.2% of common factors, i.e. emotional and economic value explain 67.2% variation in evaluation of satisfaction. Multiple correlation coefficient between emotional value and economic value as the predictors and satisfaction as criterion is 0.821. Further analysis has confirmed that both emotional and economic values significantly influence satisfaction. Based on standardised coefficients beta it can be concluded that emotional value contributes more to forecast of client satisfaction than economic value.

The second model, which has trust as criterion variable, is also statistically significant. Coefficient of determination indicates that researched variables share 72.6% of common factors, i.e. emotional and economic values explain 72.6% of variation in evaluation of trust. Multiple

correlation coefficient between emotional and economic values as predictor and trust as a criterion is 0.852. Both predictors significantly influence trust. As in case of satisfaction, so for trust as criterion variable it has been confirmed that emotional value contributes more to forecast of client satisfaction than economic value.

7. CONCLUSIONS

For relationship marketing success Wong and Zhou (2006) research results strongly support importance of relationship quality. The authors draw the research conclusions on positive influence of service quality on overall relationship quality, and the latter on loyalty. Relationship quality in retail was researched by De Wulf, Odekerken-Schröder and Iacobucci (2001). The results of their study show the importance of quality of relationships from customer's perspective, and its positive influence on behavioural intentions in retail environment. Customer loyalty is often considered as outcome of relationship marketing (Egan, 2008 in Palmatier et al., 2008). According to obtained research results customer value is also a determinant of relationship quality on retail market. The results indicate that economic and emotional value significantly influence satisfaction and trust, as dimensions of relationship quality, where emotional value contributes more to the forecast of both satisfaction and trust.

Having in mind the research results retailers should focus on those aspects of their offer that affect increase in emotional value. In this regard, in order to improve relationship quality, they should:

- understand, respect and foresee customers' emotions;
- shape retail environment to create positive emotional experiences and to stimulate favourable, while avoiding unfavourable emotions;
- make shopping entertaining above all.

In this context, future research should focus on exploring the areas of customers' emotional experience in retail for the purpose of designing appropriate marketing strategies, which focus is improving the emotional experience of customers.

In addition, it turns out that the perceived customer value significantly influences the perceived relationship quality. However, future research should disclose whether customer value is just a determinant of relationship quality or loyalty as well. Perceived customer value results in their satisfaction and trust in the store. But is this enough for customers' loyalty to the store (hypermarket)?

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