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## Faculty of Business Economics

Master of Management

### **Master's thesis**

***The relative impact of the Holbrooks customer value types on customer outcomes for the physical stores of Rituals***

#### **Benjamin Simons**

Thesis presented in fulfillment of the requirements for the degree of Master of Management, specialization International Marketing Strategy

#### **SUPERVISOR :**

prof. dr. Sara LEROI-WERELDS



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## Summary

The retail sector is a mature industry that is highly competitive (Willems et al., 2016). Therefore, in order to survive in this competitive environment, retailers have no choice but to define strategies that create customer value. Slater (1997, p166) stated: "the creation of customer value must be the reason for the firm's existence and certainly for its success". Following the literature, Holbrook's value typology is the best method in order to conceptualize customer value. In this model, customer value is measured with different value types (e.g. efficiency, excellence, etc.).

Leroi-Werelds et al. (2014) empirically found that customer value is a key driver of satisfaction, repurchase intentions, word-of-mouth and ultimately financial performance. Indeed, companies link these three customer outcomes to their own financial performance: market share, long-term profitability, customer acquisition, stock prices, etc. This proves that the creation of customer value is imperative as it leads to strategically important outcomes for the firms.

This master thesis has three purposes. First, to apply the customer value concept to a specific retailer, namely Rituals. Then, to assess the impact of each value type on the three different customer outcomes (satisfaction, repurchase intentions, word-of-mouth). Finally, to identify the value types mainly predicting each customer outcomes. These objectives were expressed in a research question: *"What is the relative impact of each customer value type on the different customer outcomes (satisfaction, repurchase intentions and word-of-mouth) for the physical stores of Rituals"*.

In order to answer this research question, a survey dedicated to Rituals customers has been built. The survey link has been shared via social media, personal messaging as well as e-mail. After the data cleaning, 155 surveys were retained. This number of respondents is enough to draw valuable conclusions about customer value in Rituals shops. After the data collection, the analysis of the data has been realized with partial least squares structural equations modeling (PLS-SEM).

The analysis of the data enables to assess the impact of each value type on each customer outcome. Therefore, it enables to answer the main research question. Specifically, the three key predictors of satisfaction are respectively service excellence, followed by product excellence and play. Concerning repurchase intentions, it is mainly predicted by aesthetics, play and ethics. Product excellence, service excellence and play mainly explain the willingness of customers to talk to other people about Rituals. On the basis of these findings, theoretical contributions and managerial implications are derived at the end of this master thesis. Finally, this study ends with its limitations and avenue for future researches.



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# Chapter 1: problem statement

The retail sector is a mature industry that is highly competitive (Willems et al., 2016). This competitive environment incites retailers around the world to define new strategies in order to increase their profits (Carpenter et al. 2005). Specifically, retailers should define strategies that create customer value if they want to survive in this competitive environment. The concept of customer value is recognized by both practitioners and researchers as an imperative focus. Indeed, customer value is a key driver of satisfaction, repurchase intentions, word-of-mouth and ultimately financial performance (Leroi-Werelds et al., 2014). Therefore, customer value is imperative as it leads to strategically important outcomes for the firms.

According to Leroi-Werelds et al. (2014, p430), organizations should also “understand how to assess value from the consumer’s perspective”. However, Leroi-Werelds et al. (2014) highlighted that customer value is a complex concept that is hard to evaluate and measure due to its richness. Different types of models have been used to measure customer value, but Holbrook’s value typology is the most comprehensive approach since it measures more potential sources of value than the other conceptualizations (Sanchez-Fernandez et al., 2009). In his model, customer value is measured according to eight different value types: efficiency, excellence, status, esteem, play, aesthetics, ethics, and spirituality.

The objective of this master thesis is to apply the customer value concept to a specific retailer in order to know the impact of these value types on customer outcomes. Then, the results may extend the existing literature of the subject and help the company to fine-tune its strategy. This master thesis will focus on the cosmetics group Rituals: a Dutch company specialized in the production and selling of cosmetic products in its own stores but also online.

The appearance of internet has changed the retail sector. Indeed, online purchasing enables customers to shop 24/7 on an “ever-present storefront” (Avery et al., 2012). This creates ever more competition in this sector. However, even in this context, brick-and-mortar stores still have their importance. Some people indeed still appreciate physical stores for the tangible (touch and feel) and communicative aspects (personal contacts and communication) of the shopping experience (Schramm-Klein, et al., 2007). Rituals is probably one of the best examples to prove that brick-and-mortar stores are still valued by customers. Indeed, the founder of the company would like to have 750 stores at the end of this year. In order to make this possible, Rituals will open 2 stores per week. According to DutchNews, Rituals is the fastest growing company in the Netherlands. The turnover is also growing dramatically – over 36% between 2016 and 2017- to attain in 2017 more than half a billion euros (detailretail.be).

For the purpose of this study, only the customer value of the physical stores of Rituals will be analyzed. In order to attain the objective, a quantitative research will be realized. This leads to the main research question of this thesis:

*"What is the relative impact of the Holbrook's customer value types on customer outcomes (satisfaction, repurchase intentions and word-of-mouth) for the physical stores of Rituals?"*

The different chapters of this thesis will help to answer this research question. My master thesis consists of 5 chapters. The first one explains the problem statement and the research question resulting from it. The second chapter is devoted to the review of the existing literature. In this second chapter, five topics will be discussed: the general background of customer value, why is customer value important, the conceptual approach of customer value, the conceptual approach of customer outcomes and finally the model and hypotheses that will be analyzed in this thesis. The third chapter will present the research methodology used in this thesis. The result of the quantitative research will be developed in the fourth chapter. And last but not least, in the last chapter, you will find the conclusion, a few remarks on the limitations of the thesis and some suggestions for future research.

## **Chapter 2: literature review**

This chapter is dedicated to the review of the existing literature. Five topics will be examined: 1. General background of customer value; 2. Why is customer value important?; 3. Conceptual approach of customer value; 4. Conceptual approach of customer outcomes; 5. Model and hypothesis.

### **1. General background of customer value**

During the eighties, organizations focused their attention on the quality of their products and the quality of their internal operation processes (Woodruff 1997). But managers realized that this was not enough to attain and keep a competitive advantage over competitors. Therefore, they decided to focus their attention on the delivery of a superior customer value. But this new orientation required a better understanding of customers.

The marketing literature has offered various definitions of customer value. The one that has been the most recognized is certainly the definition from Zeithaml (1988, p14): "the consumer's overall assessment of the utility of a product based on the perceptions of what is received and what is given". This cognitive definition reflects the trade-off made by the customer between the benefits he/she gains (e.g. volume, quality, etc.) and the sacrifices (e.g. money, time, effort, etc.) he/she has to make in order to acquire the product or service.

Some points have to be discussed in order to better understand customer value.

First, it has to be noticed that the concept is sometimes misinterpreted. Customer value (singular) is indeed sometimes confounded with customer values (plural) (Gallarza et al. 2011). The former refers to the "outcome of an evaluative judgment" of a consumption experience (Holbrook, 1999, p8), where the latter indicates the customer values as "centrally held and enduring beliefs about right and wrong, good and bad" (Woodruff 1997, p141). According to Holbrook (1999), values are the basis on which value is evaluated. Indeed, according to his culture, his education or his personality, each customer has his own standards, rules, norms, goals and ideals that create his own values. On the basis of them, the customer will appreciate the value of an experience.

Second, since customer value is appreciated by the customer, it is not the seller who values it, but the customer (Woodruff, 1997; Leroi-Werelds et al., 2014). Therefore, when a customer goes to a Rituals store, the value of the experience is not assessed by Rituals, but instead by the customer.

Thirdly, "value is also the perception of a need-satisfying capability in an object" (Wagner and Holbrook, 1999). For instance, the customer will value a Rituals product for its capacity to satisfy his need of washing with good products.

Fourthly, customer value is perceived differently by different individuals as it is something personal. Therefore, each customer assesses the value according to his/her own characteristics (Woodruff, 1997; Holbrook, 1999; Leroi-Werelds et al., 2014). Thus, someone who is on a low income will attribute a higher value to Primark products that are cheap in comparison to someone who is on a high income.

Fifthly, purchasing indicates that the customer has a choice to make between different alternatives that have to be evaluated in order to know the preferred one (Woodruff, 1997). This implies that customer value is comparative and preferential. When purchasing at the grocery shop, the customer will first compare the characteristics of all the different possible alternatives (e.g. Delhaize, Colruyt, Carrefour, Aldi, etc.). Finally, he will assess the value of each grocery shop and select the preferred one according to his needs.

Sixthly, customer value is context dependent. The same customer may indeed evaluate differently one experience according to the "specific use situation": the time, the location, etc. (Woodruff and Gardial, 1996; Woodruff, 1997; Holbrook, 1999; Grönroos and Ravald, 2011; Leroy-Werelds, 2014). To illustrate this, let's for instance consider online and offline shopping. Online shopping may be very valuable for someone who has no time to shop offline. But offline shopping may have value for someone who does not have a computer.

Seventhly, customer value is not embedded in the product but rather in the experience, which is in accordance with the value in use concept (Leroi-Werelds et al., 2014). It states that the value of a product or a service is created while it is used (Grönroos and Ravald, 2011). This implies that the value of a phone is not embedded in the phone but instead in its use. The customer creates the value for himself. Thus, the supplier is just a facilitator as he provides the input for the process of value creation. If there is an interaction between the customer and the supplier, the supplier can influence the customer's process of value creation. In this case, the supplier co-creates value with the customer.

Holbrook's model will be used in this study in order to conceptualize and measure customer value. Holbrook (1999, p5) defined customer value as "an interactive relativistic preference experience":

- Customer value is interactive since it requires an interaction between an object and a subject for creating value. The evaluation is made by the subject about the object (Holbrook 1999). The subject is the customer who values the characteristics of an object. The object refers to a product, a service, a store, a political candidate, etc. The object can be either tangible or intangible. Holbrook (2006) sees the object as an instrument to meet the customer's value-creating experience.
- Customer value is relativistic in three ways: (1) comparative, (2) personal, and (3) situational. It is comparative as a single person evaluates the value of one object by comparing it to another. As each customer is different, he or she evaluates the experience differently, and therefore, value is personal. Value is situational as the judgment of the

experience from the customer will differ from one context to another (time, location, circumstance).

- Customer value is preferential: this means that a preference judgment is made by the subject among objects. For Holbrook (1999, p9), the preference judgments “lie at the heart of the consumption experience”.
- Customer value is an experience: it means that the value is not embedded in the object but instead in the experience of consumption.

Therefore, “customer value entails subjective hierarchical preferences based on individual’s situation-specific comparisons of one object with another” (Holbrook, 2006, p715).

## **2. Why is customer value important?**

Over the past decades, customer value has received more and more attention. The concept of customer value is indeed recognized by both practitioners and researchers as an imperative focus for following reasons:

First, customer value is at the heart of the company strategy. Slater (1997, p166) stated: “the creation of customer value must be the reason for the firm’s existence and certainly for its success”. The best application of this sentence is the Business Model Canvas (BMC). If we take a look at it, we see that the value proposition –and therefore the creation of customer value- is at the heart of the BMC.

Second, more and more companies are using customer value in order to attain and sustain a competitive advantage in their competitive environment (Sanchez-Fernandez et al. 2009). Positioning the brand in a way that creates maximal customer value for the target segment results in attaining a competitive advantage (Holbrook, 1999; Gallarza et al., 2011).

Thirdly, customer value is an important concept that helps to analyze customer behavior (Zeithaml, 1988). Customer behavior is indeed better understood when using the perceived value to measure it (Gallarza et al., 2006). This concept is indeed fundamental in order to understand the “different facets of customer behaviors that occur both before and after the purchase itself” (Gallarza et al., 2011, p181). Some examples of customer behaviors may for instance be purchase intention, product selection, brand selection, repurchase, etc. While improving their offerings, companies may look at the change in these behaviors to fine-tune their strategy.

Fourthly, customer value is a key antecedent - and thus a key driver - of satisfaction, repurchase intentions and word of mouth (Willems et al., 2016). All together, these three outcomes “capture the key processes leading to positive outcomes for firms” (Leroi-Werelds et al., 2014, p433). For Woodruff (1997), customer value is the most significant determinant of the organization’s success.

Customer value “takes the perspective of an organization’s customers considering what they want and believe they get from buying and using a seller’s product” (Woodruff, 1997, p140).

### 3. Conceptual approach of customer value

Two main approaches have been used in order to conceptualize and measure customer value. The first one defines the concept as a one-dimensional construct, that can be measured with a self-reported item (or a set of items) (Dodds et al., 1991). The second one views customer value as a multi-dimensional construct, that is too complex to be measured with only one item (or set of items) (Gale, 1994; Holbrook, 1999; Woodruff and Gardial, 1996). Moreover, this latter approach recognizes that there are different types of value.

Four conceptual approaches are frequently used in order to measure customer value. Namely; Dodds et al. (1991), Gale (1994), Holbrook (1999) and Woodruff and Gardial (1996). Leroi-Werelds et al. (2014) have empirically measured the four different methods in order to designate the best one when measuring customer value. In this study, the authors found that the one-dimensional from Dodds et al. method (1991) did not perform better than the multidimensional approaches. Between the multidimensional methods Leroi-Werelds et al. (2014) show their preference for Holbrook's model in order to measure value. Following Leroi-Werelds et al. (2014), Holbrook's model is best methods to be used for this master thesis.

What are the advantages of the Holbrook's model?

First, it is the most comprehensive approach which measures more potential sources of value than other types of conceptualization (Sanchez-Fernandez et al., 2009). It enables to capture the richness and complexity of customer value (Gallarza et al., 2011). Second, this method scored higher in actionability (Leroi-Werelds et al., 2014). Thirdly, this method enables to measure both hedonic and utilitarian aspect of value which is important since both take place in the shopping experience (Willems et al., 2016). Fourthly, some scales for measuring Holbrook's value type are already designed, making it easier and faster to create a good measurement instrument. Fifthly, "an advantage of Holbrook's (1999) method is its classification framework that could be very helpful in structuring the different value types in an understandable and intuitively appealing way" (Leroi-Werelds et al., 2014, p443).

Holbrook (1999) proposed a framework (figure 1) based on 3 dimensions of customer value. These 3 dimensions are:

- Extrinsic versus intrinsic: an offering valuated for its ability to meet an objective versus an offering valuated for the end in itself.
- Self-oriented versus other-oriented: an offering is appreciated for the effect the consumption has on the customer versus the effect it has on others.
- Active value versus reactive value: the customer has an action (physical or mental manipulation) upon an object (tangible or intangible) versus the object which has an action with or upon a customer.

		<b>Extrinsic</b>	<b>Intrinsic</b>
<b>Self-oriented</b>	<b>Active</b>	Efficiency (Output/Input; Convenience)	Play (fun)
	<b>Reactive</b>	Excellence (Quality)	Aesthetics (Beauty)
<b>Other-oriented</b>	<b>Active</b>	Status (Success, Impression Management)	Ethics (Virtue, Justice, Morality)
	<b>Reactive</b>	Esteem (Reputation, Materialism, Possessions)	Spirituality (Faith, Ecstasy, Sacredness, Magic)

Figure 1: A Typology of Consumer Value. Holbrook, 1999, p12.

Based on these three dimensions, Holbrook (1999) has created a 2x2x2 cross-classification that results in eight-celled typology of customer value: efficiency, excellence, status, esteem, play, aesthetics, ethics, and spirituality. Holbrook (1994a, p138) stated: "Any or all of the value types distinguished earlier may and often do occur simultaneously to varying degrees in any given consumption". Therefore, while consuming, the customer often experiences different customer value types. For Smith and Holbrook (1999, p149): "there is an interrelationship between the different types of value that arise in consumption".

It has to be noticed that Holbrook's framework (1999) takes into account some value types that are hard to conceptualize since they overarch together. Therefore, adjustments of these value types have been operated according to the literature. Status and esteem were combined together to become the social value type. Another modification to the model has been realized: the value excellence was divided into 2 value types: product excellence and service excellence.

Now, the different value types will be examined. This will help to understand Holbrook's framework.

### **Efficiency:**

Efficiency is an extrinsic value that enables the customer to achieve some self-oriented goals by the active use of an object (Holbrook 1999). Willems et al. (2016) empirically found that efficiency value was a key predictor of customer satisfaction in the grocery shopping context. Moreover, this value type also influences repurchase intentions and word-of-mouth. For them, efficient shopping experience is the most important value in the grocery shopping context.

This value type is frequently measured by a ratio of output to input (O/I). The output refers to what the customer receives (goods, services, etc.) and the input indicates what the customer gives in exchange (money, time, effort, etc.) (Sanchez-Fernandez et al., 2009). A good example is the energy



brought by the consumption of a food by the number of euros spent for acquiring it. Most of the time, the denominator is in a monetary unit. However, Willems et al. (2016) also think that convenience is another important aspect of the shopping experience. In this case, time is used as input. Malls are for instance highly valued as they bring the convenience to compare offerings of different shops in only one place (Youn-Kyung, 2002). Sanchez-Fernandez et al. (2009, p99) define convenience as the "temporal and spatial access to the service environment".

### **Excellence:**

Excellence is "a reactive appreciation of some object's or experience's potential ability to serve as an extrinsic means to some personal self-oriented end" (Holbrook, 1999, p14). This means that the customer prizes an experience or an object for its potential capacity to meet a self-oriented goal. It is important to note that a customer does not value the object, but its ability to meet a goal (Sanchez-Fernandez et al., 2009). For instance, one might appreciate the value of a Mercedes for its potential capacity to reach 200 000 kilometers without any engine failure. For Holbrook et al. (1999, p 53), excellence is "one notch below an ideal product as it only requires that the consumable be rated among the top in its field".

Youn-Kyung (2002) has investigated customer value in shopping malls versus internet. His research suggests that excellence could be divided into 2 value types: product performance and customer service. He defines the customer service as the prompt and competent response of the seller to a need or request during the shopping process.

Willems et al. (2016) applied Holbrook's value typology in a supermarket context and divided excellence into 2 separate value types: product excellence and service excellence. The reason for this split is that retail stores do not only offer a product but also a service. In their research, product excellence concerns the offering of high-quality products and the offering of a broad choice of products (specific or not, brand or not, different package sizes). Service excellence refers to the personal's ability to help the customer but also to the way the personal accomplishes this mission being courteous, honest, approachable, attentive, etc. They found that service excellence has a positive impact on word-of-mouth.

Doucé et al. (2016) have investigated customer value in fashion retail. Like Willems et al. (2016), they have also divided excellence into product excellence and service excellence. They defined product excellence as "the customer's evaluation of the quality of the clothes" (p277). Concerning service excellence, they measured the ability of the personal to be helpful and to serve the customers in the right way.

I will follow Willems et al. (2016) as well as Doucé et al. (2016). Therefore, I will divide excellence into 2 value types, namely: product excellence and service excellence.

## **Social value**

Social value is not a value type that has been created by Holbrook (1999). According to Holbrook (1999), social value is a combination of the value types "status" and "esteem". In his book (1999, p16), Holbrook already mentioned the difficulty to conceptualize them: "of all the distinction in the Typology of Consumer Value, that between status and esteem is the most difficult to articulate. [...] status and esteem are intimately interrelated with only the fuzziest demarcation lying in a grey area somewhere in between". Holbrook (1999) mentioned that status is active and that esteem is its reactive counterpart. Status is active since the customer identifies the social value he would like to be assimilated to and then adopt the right strategy to meet his goal. Esteem is appreciated from the "passive ownership of possessions". Both status and esteem are extrinsic and other-oriented. The difference between both is whether it is an active or reactive value. Holbrook showed the difficulty to distinguish the active nature of status and the reactive nature of esteem with the following example: if one parks one's Ferrari, is this an active manipulation of one's prestige (status) or a reactive ownership of one's possession? For Holbrook (1999, p188): "it is hard to think of aspects of reactive esteem that do not also involve some degree of active status manipulation".

In order to solve this problem, several authors have decided to join status and esteem into a single value, called social value (Gallarza and Saura, 2006; Holbrook, 2006; Sanchez-Fernandez et al., 2009; Willems et al., 2016; Douc e et al. 2016). Social value is based on other-oriented dimension (Gallarza and Saura, 2006).

Holbrook (2006, 716) defines social value as "one's own consumption behaviors serves as a means to shaping the responses of others". Douc e et al. (2016, p277) defined social value in a retail clothes context as "how much shopping in this store improves the customer's image". This value was measured by the feeling of belongings to the groups, being socially accepted and the relationship with other. Willems et al. (2016, p605) have empirically found the importance of social value during the consumption experience and especially for "the symbolic value of store patronage decision". Indeed, they discovered that social value had a significant positive impact on the three customer outcomes variables (satisfaction, repurchase intention and word-of-mouth) in a retail context.

## **Play**

For Holbrook (1995), play typically describes the difference between work and leisure. Sanchez-Fernandez et al. (2009, p100) stated that play was "a significant contributory motive in much consumer behavior". For Grayson and Holbrook (1999), it is not the activity that makes the experience playful or not, but instead whether or not this activity is judged by the customer as active, intrinsically motivated and self-oriented.

Douc e et al. (2016, p277) defined play in a retail context as "the pleasure the customers experience when shopping in the store". Mathwick et al. (2002) found that some customers, namely the experiential shoppers, are looking for a sort of enjoyment or evasion in the shopping experience. They stated that for some customers, play "constitutes a leisure activity in its own right" (p54) rather than a utilitarian purpose.

Willems et al. (2016) have found surprising results concerning play. Indeed, this value type has a positive impact on repurchase intentions and word-of-mouth, but it has a negative relationship with satisfaction. This result may be due to the context of the study, namely a supermarket context. The utilitarian nature of the experience may not give way to hedonic distraction. Their results nevertheless show that customers appreciate recreational value for the loyalty intentions.

## **Aesthetics**

Aesthetics value is a complex value type that has not enough attracted the attention of the literature (Holbrook and Wagner, 1999). This value is often related to fine arts. However, aesthetic aspects have become more and more important for the customers wanting to differentiate products (Wagner and Holbrook, 1999). For them the aesthetic qualities of an object "supervene" on non-aesthetic qualities. The pleasure of beauty is immediate, intense, complex and could manifest itself in a physical response like a tightening in the stomach (Wagner and Holbrook, 1999). Aesthetics can be seen as an intrinsic motive, where the motive for consumption is the self-reward from the reactive pleasure of experiencing beauty.

Doucé et al. (2016, p278) defined aesthetics in retail as "the customer's evaluation of the store environment". Willems et al. (2016) found that aesthetics in the shopping environment had a positive effect on loyalty behaviors and therefore on the retailer's business success. According to Baker et al. (2002), aesthetics in a retail context refers to the general atmosphere of the store as well as to different environmental elements within the store (e.g. scent, color, music, etc.). Youn-Kyung (2002) stated that malls offer a great aesthetic ambience thanks to their architecture, interior design, decorations etc.

## **Ethics**

Ethics is the active involvement of a consumer who does something for the sake of others and who appreciates the experience as an end in itself (Holbrook, 1999). This value type lies "outside the sphere of ordinary marketplace exchanges" (Sanchez-Fernandez et al., 2009, p101). Ethics is other oriented, active and intrinsic. If an experience does not meet these three characteristics, then, it is not appreciated for its ethical value. As an example, if one donates some money to a foundation for the only purpose to pay less tax, then the experience would be valued for its efficiency and not for its ethical value. In the retail grocery perspective, Willems et al. (2016, p595) referred to ethics as the "customer's beliefs that the store is socially responsible".

## **Spirituality**

Holbrook (1999; p22-23) defines spirituality as "the intrinsically motivated acceptance, adoption, appreciation, admiration or adoration of an Other where this 'other' may constitute some Divine Power, some Cosmic Force, some Mystical Entity, or even some otherwise inaccessible Inner Being and where such an experience is sought not as a means to a ulterior end, but rather as an end in

itself prized for its own sake". According to Sanchez-Fernandez et al. (2009, p101), spirituality like it is the case of ethics lies "outside the sphere of ordinary marketplace exchanges".

However, several authors (Holbrook, 1999; Gallarza and Saura, 2006; Sanchez-Fernandez et al., 2009; Leroi-Werelds et al, 2014 and Willems et al., 2016) have highlighted that ethics and spirituality value types are hard to operationalize. Therefore, ethics and spirituality have been combined together by Holbrook (2006) under the name altruistic value. However, for the purpose of this study, these two value types have been split.

## **4. Conceptual approach of customer outcomes**

In order to analyze the existing relationship between the value types and customer outcomes, three customer outcomes have been used: satisfaction, repurchase intentions and word-of-mouth. These outcomes were used for the following reasons:

First, the literature has empirically established that customer value is a key antecedent of satisfaction, word-of-mouth and repurchase intentions (Cronin et al., 2000; Leroi-Werelds et al., 2014; Willems et al., 2016).

Second, companies link satisfaction, repurchase intentions and word-of-mouth to their own financial performance: market share, long-term profitability, customer acquisition, stock prices, etc. (Leroi-Werelds et al., 2014; Willems et al., 2016).

Thirdly, the theoretical explanation of chain of effects between customer value and the three customer outcomes can be explained by Bagozzi's (1992) appraisal => emotional response => coping framework (Cronin et al., 2000). This model asserts that the initial service evaluation engenders an emotional reaction driving behavior. For Leroi-Werelds et al. (2014, p433): "taken together, they capture the key processes leading to positive outcomes for the firms".

Leroi-Werelds et al. (2014, p433) defined customer satisfaction as: "the cumulative evaluation that is based on all experiences with the supplier's offering over time". Word of mouth concerns the extent to which a customer communicates positively about the experience as well as the extent to which the customer recommends/encourages the consumption of it to his/her relatives or other people (Cronin et al., 2000; Leroi-Werelds et al., 2014). The repurchase intentions depends on the willingness to buy again in the future (Leroi-Werelds et al., 2014; Willems et al., 2014).

Figure 2 illustrates an overview of the structural model that has been used by Leroi-Werelds et al. (2014). In their study, the authors have analyzed the relationship between customer value and the three different customer outcomes. Moreover, they have also found a positive relationship between customer satisfaction and repurchase intentions on the one hand and customer satisfaction and word of mouth on the other hand.

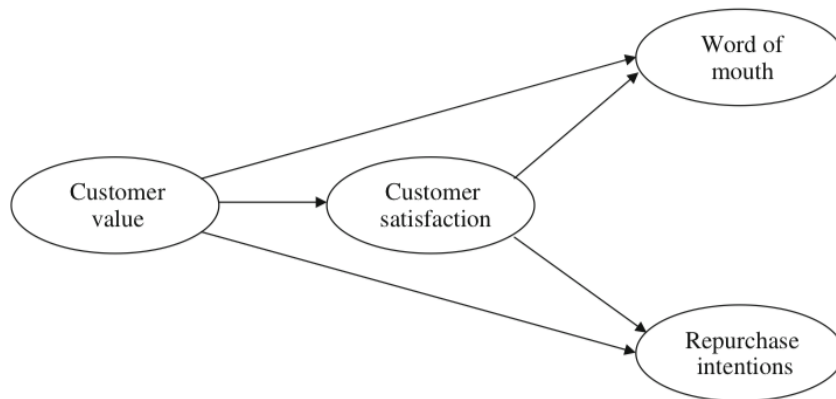


Figure 2: Leroi-Werelds et al., 2014. Structural model.

## 5. Model and hypothesis

The model that I will propose will measure the different value types and their impact on the different customer outcomes.

As it has been explained in the conceptual approach of customer value, Holbrook's model (1999) has been modified. Firstly, Holbrook (1999) recognized the difficulty to distinguish esteem from status. Following the recommendation of the literature, esteem and status were combined together under the social value type. Secondly, following Willems et al. (2016), excellence value type was divided into two separate value types: product excellence and service excellence. Therefore, eight value types will enable to measure customer value in this study: efficiency, product excellence, service excellence, social value, play, aesthetics, ethics and spirituality.

According to the literature, customer value drives different customer outcomes. Three customer outcomes will be measured in my study: satisfaction, repurchase intentions and word-of-mouth.

Based on the literature review, the following research question emerges:

*"What is the relative impact of the eight customer value types (efficiency, product excellence, service excellence, social value, play, aesthetics, ethics and spirituality) on customer outcomes (satisfaction, repurchase intentions and word-of-mouth) for the physical stores of Rituals?"*

Investigating the importance of each customer value type on customer outcomes will enable us to understand how Rituals shops are perceived in the mind of the customers. Moreover, it will highlight the strategic importance of each value type in driving strategically important outcomes (customer satisfaction, word-of-mouth and repurchase intentions) for the cosmetics group Rituals. The hypotheses that will be tested are the following ones:

H1: Efficiency is positively related to (a) satisfaction, (b) repurchase intentions and (c) word-of-mouth.

H2: Product excellence is positively related to (a) satisfaction, (b) repurchase intentions and (c) word-of-mouth.

H3: Service excellence is positively related to (a) satisfaction, (b) repurchase intentions and (c) word-of-mouth.

H4: Social value is positively related to (a) satisfaction, (b) repurchase intentions and (c) word-of-mouth.

H5: Play is positively related to (a) satisfaction, (b) repurchase intentions and (c) word-of-mouth.

H6: Aesthetics is positively related to (a) satisfaction, (b) repurchase intentions and (c) word-of-mouth.

H7: Ethics is positively related to (a) satisfaction, (b) repurchase intentions and (c) word-of-mouth.

H8: Spirituality is positively related to (a) satisfaction, (b) repurchase intentions and (c) word-of-mouth.

The positive relationship between satisfaction and repurchase intentions, as well as satisfaction and word-of-mouth will also be analyzed in this study. This leads to the following hypotheses:

H9: satisfaction is positively related to repurchase intentions.

H10: satisfaction is positively related to word-of mouth.

Figure 3 shows the structural model that will be analyzed.

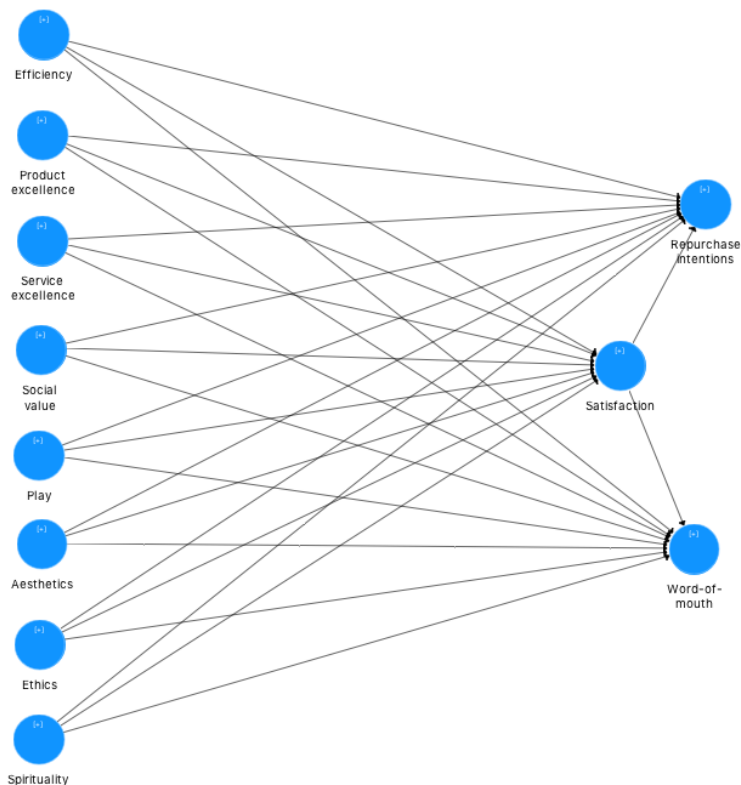


Figure 3: structural model



## Chapter 3: methodology

This chapter will explain the research methodology that has been used in this study. Its objective is to measure the relative importance of each customer value type on different customer outcomes for the cosmetics group Rituals. The aim is to provide Rituals with a better understanding of what they provide as customer value. On the basis of this, we can hope that Rituals will better know what is appreciated by their customers but also what is not appreciated. This could then enable Rituals to improve their offering by fine-tuning their strategy.

In order to make all of this possible, a survey, that targets Rituals customers, has been built. A field study might also have lots of advantages. However, due to the time consideration, this option has been abandoned and an online questionnaire has been used instead. An objective of 150 respondents was set out. This number of respondents should offer enough data to draw valuable conclusions about customer value in Rituals shops.

### 1. Questionnaire design

In the following pages a table that shows the different constructs as well as their corresponding items is exhibited.

The first question of the survey was: *"have you visited a Rituals store during the last 3 months?"*. Respondents who selected "no" were skipped to the end of the survey. This screening question had 2 objectives. First, it ensured that respondents were eligible to assess customer value at Rituals shops as people not going to this shop couldn't do that. Second, this question also guarantees that the respondents still have a clear idea of their experience within a Rituals shop.

In order to measure customer value, eight value types have been measured: efficiency, product excellence, service excellence, social value, play, aesthetics, ethics and spirituality. I used the work of Willems et al. (2016) and Doucé et al. (2016) as a basis for measuring these eight value types. The first reason is that the scales had already been scientifically validated. Moreover, both of these studies had been realized in the same context as that of my study, namely a retail context. In order to operationalize spirituality, the work of Sanchez-Fernandez et al. (2009) was used.

Willems et al. (2016) and Doucé et al. (2016) highlighted the fact that the Holbrook's value types have either a reflective or a formative measurement model. According to Jarvis (2003), this difference in the measurement model implies consequences on the contents of the scale. Indeed, the misspecification in the measurement model leads to biased estimates and therefore to a lower construct validity (Jarvis 2003). Efficiency, service excellence and aesthetics were categorized as formative constructs. Product excellence, social value, play, ethics, spirituality, satisfaction, repurchase intentions and word-of-mouth were analyzed as reflective constructs.

Questions on the different value types were measured by a 5-point Likert scale which enabled to assess the degree of agreement (from strongly disagree to strongly agree) with different sentences.



In order to operationalize customer satisfaction, a 11-point Likert scale (from totally dissatisfied to totally satisfied) was used following Wirtz and Lee (2003), Leroi-Werelds et al. (2014), Willems et al. (2016) and Doucé et al. (2016). And last but not least, repurchase intentions and word-of-mouth were measured with a 5 point Likert scale (from strongly disagree to strongly agree) on the basis of Willems et al. (2016) as well as Doucé et al. (2016).

<b>Construct</b>	<b>Items</b>
Efficiency	This store is accessible (easy to reach, to park, etc.).
	The opening hours of this store are convenient.
	The store aisles make it easy to move in a smooth way through the store.
	You can easily find what you need in this store.
	The baskets make it easy for you to carry your products.
	The products are reasonably priced.
	The prices of products are clearly indicated.
	This store often has interesting bargains.
	The waiting time at the cash register is reasonable.
Product excellence	The products offered in this store have a high level of quality.
	Rituals offers products that are superior compared to other cosmetics stores.
	Rituals products are among the best with respect to cosmetic products.
	The Rituals stores have high standards for their products.
Service excellence	The staff in this store is never too busy to help you.
	The staff in this store is not pushy.
	The staff in this store welcomes you at the entrance.
	The staff in this store offers a prompt service.
	The staff in this store is approachable.
	The staff in this store listens to you.
	The staff in this store is able to understand your needs.
	The staff in this store is honest.
	The staff in this store does not hesitate to let you test the products.
	The staff in this store is courteous.
	The staff in this store is knowledgeable to answer your questions.
The staff in this store is at your disposal to solve any problem.	
Social value	Shopping at this store helps you to feel acceptable.
	Shopping at this store improves the perception of others on you.
	Shopping at this Rituals store enables you to make a good impression on other people.
	Shopping at this store can help you to have a social approval.
Play	Shopping at this store makes you feel good.
	Shopping at this store gives you pleasure.

	Shopping at this store gives you a sense of joy.
	Shopping at this store makes you feel delighted.
	Shopping at this store gives you happiness.
Aesthetics	The lay-out of this store is attractive.
	The appearance of the employees in this store is appropriate.
	This store is clean.
	This store gives a tidy and organized impression.
	The shopping windows look attractive.
	The products are presented in an attractive way.
	There is a pleasant smell in this store.
	There is pleasant music in this store.
	There is pleasant lighting in this store.
	The washbasin to try the products in this store is appealing.
Ethics	Rituals is a socially responsible company.
	Rituals makes a real difference through its socially responsible actions.
Spirituality	This Rituals store has a spiritual atmosphere.
	The spiritual atmosphere of this Rituals store attracts you.
Customer satisfaction	In general, how satisfied are you with this Rituals store?
Repurchase intentions	You intend to visit this store again in the future.
	You are willing to shop at this store again in the future.
	This store is your first choice when buying cosmetics.
	You have no doubt you are going to visit this Rituals shop again in the future.
	When you need cosmetics, you will return to this Rituals store.
Word-of-mouth	You would recommend Rituals to friends and relatives, if they ask your advice.
	If your friends or relatives ask your opinion, you would say positive things about Rituals.
	You would recommend Rituals to people who seek your advice.
Demographics	What is your age?
	What is your gender?

Table 1: Research constructs and their corresponding items

Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1	2	3	4	5

Table 2: 5-point Likert scale for the measurement of items

## **2. Data collection**

The survey has been created in Qualtrics. The survey link has been shared via social media, personal messaging as well as e-mail. The primary data have been collected between November 24<sup>th</sup> and November 28<sup>th</sup> 2018.

In total, 302 respondents have participated in the survey. Data cleaning has been realized in order to inspect the consistency and to treat the missing responses (Malhotra et al., 2017). Among these 302 respondents, 88 of them have not been to a Rituals store the last 3 months. They have been removed. One questionnaire has not been taken into account since the respondent answered always maximum to every statement, which makes his questionnaire suspicious. Surveys with one or two missing values were kept since PLS can treat them. But 59 surveys were removed as they had not been completed to the end. In the end, after the data cleaning, 155 surveys were retained.

Among these 155 respondents, 127 (83%) were female while 26 (17%) of them were males (note that 2 respondents did not answer this question). The average age was 26,7 years ranging from 16 to 60. This young average age is explained by the fact that the survey was distributed mainly on social media. Let me add that most respondents shop in Rituals stores in the region of Liege (79.35%).

## Chapter 4: results

Once the data have been collected, they have to be tested in order to know if the model and hypotheses that have been earlier mentioned hold or not. In order to analyze them, partial least squares structural equations modeling (PLS-SEM) has been used.

PLS-SEM was the best method to test the model and hypotheses for several reasons. First, this algorithm is used when the goal is to identify key driver constructs. Moreover, PLS SEM is able to manage both reflective and formative measures. According to Hair et al (2016, p28), PLS SEM is “the primary approach when the hypothesized model incorporates formative measures”. This algorithm is also able to manage more complex models, which is the case here since the model contains a large number of indicators and relationships. And a last advantage of PLS-SEM is that it can handle small sample size.

The book from Hair et al. (2016) on PLS SEM has been used as a blue print for the analysis of the data. In order to assess the PLS SEM results, a two-step approach is required. The first step aims at evaluating the measurement models (relationship between the indicators and their corresponding construct). Then, in the second step, the structural model is analyzed (relationships between the constructs). On the basis of the results in the structural model, it will be possible to determine if the different hypotheses of the model will hold or not.

### 4.1 Measurement model:

In this section, the first step of the analysis will be developed. Therefore, the relationships between the indicators and their corresponding construct will be analyzed. In this step, a clear distinction between reflective and formative measures will be made.

Reflective measure assumes that there is a common cause for the indicators in the construct. In other words, all the indicators are caused by a single construct. For this reason, the arrows in the PLS path model are pointing from the construct to the indicators (figure 4). As the indicators share a common theme; all the indicators measuring a construct are highly correlated and have to be modified if the construct is modified. The high correlation between the indicators implies that omitting one of them does not alter the meaning of the construct. The aim of reflective measures is to “maximize the overlap between interchangeable indicators” (Hair et al., 2016, p49).

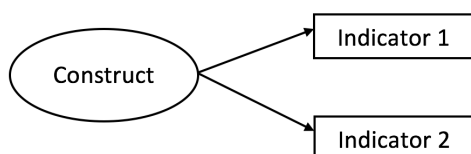


Figure 4: reflective construct

Concerning formative measure, each indicator aims at capturing a specific aspect of a construct. For this reason, the arrows are pointing from the indicators to the construct in the PLS path model (figure 5). As each indicator measures a specific aspect of the construct, all the indicators are important to capture the full nature of the construct. This means that omitting one indicator alters the meaning of the construct. Correlation among indicators is not required and can even cause some problems.

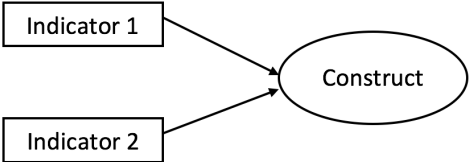


Figure 5: formative construct

Hair et al. (2016, p107) have highlighted that “the two approaches are based on different concepts and therefore require consideration of different evaluative measures”. In the following table, you may see the different evaluation metrics used for the reflective and the formative constructs.

	<b>Reflective construct</b>	<b>Formative construct</b>
<b>Reliability test</b>	Internal consistency (Cronbach’s alpha, composite reliability)	
<b>Validity</b>	Convergent validity (indicator reliability and AVE) Discriminant validity	Convergent validity Collinearity Significance and relevance of the outer weights

Table 3: Evaluation metrics for reflective and constructive constructs

**4.1.1 Reliability test**

As you can see in table 3, the test of the reliability will only concern the reflective constructs. It will enable to examine the consistency of the results. Malhotra et al. (2017, p359) define reliability as “the extent to which a scale produces consistent results if repeated measurements are made”. Systematic errors do no reduce the reliability since that does not affect the consistency of the results. However, random errors will decrease the reliability.

The most common measure to test the reliability is the Cronbach’s alpha. However, according to Hair et al. (2016), this measure has 2 limitations. First, all indicators have the same effect on the construct. Second, the internal consistency reliability is underestimated. Therefore, Hair et al. (2016) use composite reliability (CR) in order to assess the reliability. CR values above 0.70 are considered to be reliable. Composite reliability values are overestimated, and as a result, the true score of reliability is in-between Cronbach’s alpha and composite reliability. For the purpose of this thesis, only composite reliability will be taken into account even if both criteria will be exhibited.

<b>Construct</b>	<b>Cronbach's alpha</b>	<b>Composite reliability (CR)</b>
Product excellence	0.843	0.895
Social value	0.895	0.927
Play	0.910	0.933
Ethics	0.844	0.928
Spirituality	0.861	0.934
Satisfaction	1.000	1.000
Repurchase intentions	0.865	0.903
Word-of-mouth	0.954	0.970

*Table 4 : reliability of reflective constructs*

As it can be derived from table 4, all the constructs have a composite reliability above 0.70. Moreover, Cronbach's alpha criteria are above 0.70. Therefore, it can be assessed that all the constructs are reliable.

#### **4.1.2 Validity test**

Once the reliability has been assessed, the validity test has to be realized. Malhotra et al. (2017, p361) define validity as "the extent to which differences in observed scale scores reflect true differences among objects on the characteristic being measured". Therefore, perfect validity implies that the measurements may not contain any error (both systematic and random errors). That means means that high reliability is needed in order to obtain high validity. A measurement that is not reliable cannot be perfectly valid. But even if the measurement is perfectly reliable, it does not mean that it will be perfectly reliable. But if the measurement is perfectly valid, then it is systematically perfectly reliable. Even if perfect validity is strived, it is unfortunately not possible to achieve it.

##### **a. Convergent validity**

According to Hair et al. (2016, p112), "convergent validity is the extent to which a measure correlates positively with alternative measures of the same construct".

In order to assess the convergent validity of reflective constructs, outer loadings of the indicators as well as the average variance extracted (AVE) will be considered.

- Outer loadings: the higher the outer loading is, the more the associated items will share in common. In order to ensure convergent validity, the outer loadings should be 0.708 or higher. When the outer loading is above 0.708, it means that the error of the variance is lower than the variance between the construct and its corresponding indicators. Convergent validity also requires outer loadings to be significant. In order to assess significance, a bootstrapping procedure has to be run.

As you can see from table 8, only one indicator has an outer loading under 0.708. This indicator refers to the statement: "this store is your first choice when buying cosmetics". This means that more than 50% of the variance between this indicator and its construct

is explained by the measurement error variance. In order to ensure a high convergent validity, this indicator has been removed.

- Average variance extracted (AVE): the AVE is the amount of variance in a construct that is explained by its corresponding indicators rather than by the errors of the indicators. Therefore, an AVE of 0.5 or higher means that a construct is explained at 50% or more by its indicators. An AVE of 0.5 is required. As you can see in the following table, each construct is explained at least 50% or more by its indicators.

<b>Construct</b>	<b>Average variance extracted (AVE)</b>
Product excellence	0.680
Social value	0.761
Play	0.736
Ethics	0.865
Spirituality	0.876
Satisfaction	1
Repurchase intentions	0.726
Word-of-mouth	0.915

*Table 5: average variance extracted of reflective constructs*

b. Discriminant validity

Discriminant validity is “the extent to which a construct is truly distinct from other constructs by empirical standard” (Hair et al., 2016, p115). If discriminant validity is proved, it indicates that each construct is unique and measures a specific phenomenon, that is not captured by another construct. Previously, cross loadings and Fornell Larcker criterion were used to assess the discriminant validity of reflective constructs. However, Hair et al. (2016) suggest using HTMT (heterotrait-monotrait ratio of correlation) since cross loadings and Fornell Larcker criterion don’t enable to evaluate the discriminant validity correctly. HTMT on the contrary will enable to know the true correlation between two constructs if both of these constructs were measured in the right way. In order to assess the distinctiveness between two constructs, HTMT should be lower than 0.9. The following table illustrates the fact that all constructs are distinct from one another, which assesses the discriminant validity of the constructs.

	Ethics	Play	Product excellence	Repurchase intentions	Satisfaction	Social value	Spirituality	WOM
Ethics								
Play	0.459							
Product excellence	0.496	0.571						
Repurchase intentions	0.595	0.686	0.693					
Satisfaction	0.552	0.596	0.654	0.801				
Social value	0.389	0.591	0.488	0.498	0.386			
Spirituality	0.315	0.623	0.387	0.456	0.484	0.398		
Word-of-mouth	0.568	0.652	0.746	0.876	0.768	0.412	0.518	

Table 6: Discriminant validity of reflective constructs

c. Collinearity

The test of collinearity is done in order to know if two or more indicators of a formative constructs are correlated. Correlation is not expected since each indicator of formative construct measures a specific aspect of this construct. Collinearity is measured by variance inflation factor (VIF). If VIF is higher than 5, it indicates a potential problem of collinearity within a construct. In this case, one or more indicators that can cause the problem should be removed from the model.

	VIF
Efficiency ← Efficiency 1.1	1.121
Efficiency ← Efficiency 1.2	1.379
Efficiency ← Efficiency 1.3	1.306
Efficiency ← Efficiency 1.4	1.286
Efficiency ← Efficiency 1.5	1.115
Efficiency ← Efficiency 2.1	1.292
Efficiency ← Efficiency 2.2	1.210
Efficiency ← Efficiency 2.3	1.217
Efficiency ← Efficiency 2.4	1.117

	VIF
Service excellence ← Service excellence 2.1	1.708
Service excellence ← Service excellence 2.2	1.486
Service excellence ← Service excellence 2.3	2.036
Service excellence ← Service excellence 2.4	2.375
Service excellence ← Service excellence 2.5	2.687
Aesthetics ← Aesthetics 1.1	1.304
Aesthetics ← Aesthetics 1.2	1.415
Aesthetics ← Aesthetics 1.3	2.010
Aesthetics ← Aesthetics 1.4	1.970



Service ← Service excellence 1.1	1.725	Aesthetics ← Aesthetics 1.5	2.024
Service excellence ← Service excellence 1.2	1.307	Aesthetics ← Aesthetics 1.6	2.318
Service excellence ← Service excellence 1.3	1.472	Aesthetics ← Aesthetics 2.1	1.431
Service excellence ← Service excellence 1.4	2.358	Aesthetics ← Aesthetics 2.2	1.481
Service excellence ← Service excellence 1.5	2.169	Aesthetics ← Aesthetics 2.3	1.574
Service excellence ← Service excellence 1.6	2.097	Aesthetics ← Aesthetics 2.4	1.499
Service excellence ← Service excellence 1.7	2.246		

Table 7: Collinearity of formative constructs

The previous table displays all the variance inflation factors for all the indicators. All of them are below 5. It means that there is no problem of collinearity among two or more indicators of the same construct.

d. Significance and relevance of the outer weights

In order to know if a formative indicator is significant or not, a bootstrapping procedure has to be run. This procedure draws several new samples on the basis of the original one. Commonly, 5000 bootstraps samples are drawn with replacement. However, if an indicator weight is not significant, it does not automatically mean that it has to be removed from the model. For each of the significant weights, the content of the item should be evaluated in relationship with the content of the construct. If the insignificant item is fundamental for understanding the construct, it is retained. Hence, content validity is an important guideline for evaluating the importance of the various formative indicators. In the following table, you can see that some formative indicators were not significant. However, in order to ensure the content validity, these items were not removed.

	Outer loading (reflective) Outer weights (formative)	Significance
Efficiency ← Efficiency 1.1	0.204	0.098
Efficiency ← Efficiency 1.2	0.188	0.178
Efficiency ← Efficiency 1.3	-0.134	0.236
Efficiency ← Efficiency 1.4	0.316	0.013
Efficiency ← Efficiency 1.5	-0.095	-0.442
Efficiency ← Efficiency 2.1	0.378	0.000
Efficiency ← Efficiency 2.2	0.282	0.014

Efficiency ← Efficiency 2.3	0.327	0.000
Efficiency ← Efficiency 2.4	0.307	0.002
Product excellence → Product excellence 1	0.807	0.000
Product excellence → Product excellence 2	0.833	0.000
Product excellence → Product excellence 3	0.825	0.000
Product excellence → Product excellence 4	0.833	0.000
Service excellence ← Service excellence 1.1	0.115	0.331
Service excellence ← Service excellence 1.2	0.006	0.946
Service excellence ← Service excellence 1.3	-0.018	0.857
Service excellence ← Service excellence 1.4	0.311	0.015
Service excellence ← Service excellence 1.5	0.190	0.146
Service excellence ← Service excellence 1.6	-0.281	0.022
Service excellence ← Service excellence 1.7	0.265	0.048
Service excellence ← Service excellence 2.1	0.433	0.000
Service excellence ← Service excellence 2.2	0.320	0.001
Service excellence ← Service excellence 2.3	0.001	0.991
Service excellence ← Service excellence 2.4	0.222	0.087
Service excellence ← Service excellence 2.5	-0.267	0.037
Social value → Social value 1	0.822	0.000
Social value → Social value 2	0.910	0.000
Social value → Social value 3	0.899	0.000
Social value → Social value 4	0.857	0.000
Play → Play 1	0.850	0.000
Play → Play 2	0.827	0.000
Play → Play 3	0.872	0.000
Play → Play 4	0.876	0.000
Play → Play 5	0.864	0.000
Aesthetics ← Aesthetics 1.1	0.106	0.461
Aesthetics ← Aesthetics 1.2	0.476	0.000
Aesthetics ← Aesthetics 1.3	0.014	0.943
Aesthetics ← Aesthetics 1.4	0.202	0.275
Aesthetics ← Aesthetics 1.5	-0.047	0.744
Aesthetics ← Aesthetics 1.6	-0.188	0.183
Aesthetics ← Aesthetics 2.1	0.533	0.000
Aesthetics ← Aesthetics 2.2	0.134	0.277
Aesthetics ← Aesthetics 2.3	0.061	0.613
Aesthetics ← Aesthetics 2.4	0.087	0.517
Ethics → Ethics 1	0.930	0.000
Ethics → Ethics 2	0.931	0.000
Spirituality → Spirituality 1	0.920	0.000
Spirituality → Spirituality 2	0.952	0.000

Customer satisfaction → CS 1	1	-
Repurchase intentions → RI 1	0.865	0.000
Repurchase intentions → RI 2	0.873	0.000
Repurchase intentions → RI 3	0.668	0.000
Repurchase intentions → RI 4	0.855	0.000
Repurchase intentions → RI 5	0.762	0.000
Word-of-mouth → WOM 1	0.969	0.000
Word-of-mouth → WOM 2	0.940	0.000
Word-of-mouth → WOM 3	0.961	0.000

Table 8: Outer weight and outer loadings of indicators

## 4.2 Structural model

As the measurement model has been evaluated, it is now time to analyze the structural model. In this second and last step of the analysis of the PLS SEM results, the relationship between the different constructs will be assessed. On the basis of the results in the structural model, it will be possible to determine if the different hypotheses of the model will hold or not. It will later help to find an answer to the main research question of this thesis. In order to draw valuable conclusion, items, that have performed badly in the evaluation of the measurement model, should be removed. Only RI 3 (repurchase intentions 3) has been deleted.

### 4.2.1 Coefficient of determination

The coefficient of determination ( $R^2$ ) is a measure used in order to assess predictive power of a structural model. It measures "the amount of variance in the endogenous constructs explained by all the exogenous constructs linked to it" (Hair et al., 2016, p198). The  $R^2$  varies between 0 and 1. But the closer the  $R^2$  is from 1, the better the model predicts the endogenous constructs. Following (Hair et al., 2016),  $R^2$  values of 0.75, 0.50 and 0.25 are respectively considered as substantial, moderate and weak. However, the acceptance level depends on the research context. In consumer behavior research,  $R^2$  of 0.20 means that the endogenous variable is substantially predicted by the model. In the model analyzed, there are three endogenous latent constructs to be tested. The following table presents the coefficient of determination as well as the interpretation for each of the three endogenous latent constructs.

Construct	$R^2$	P values	Interpretation
Satisfaction	0.596	0.000	Substantial
Repurchase intentions	0.690	0.000	Substantial
Word-of-mouth	0.723	0.000	Substantial

Table 9: coefficient of determination for each endogenous latent construct

#### 4.2.2 Path coefficient

In this step, the value of the path coefficients as well as their significance will be determined. This will give the relative importance of each value types in driving customer outcomes (satisfaction, repurchase intention and word-of-mouth). With that in mind, bootstrapping of 5000 samples has been realized. The coefficients, the confidence interval as well as the significance of each path is exhibited in the following table.

Path	$\beta$	P-Values	Significant
Efficiency → Satisfaction	0.173	0.011	YES
Efficiency → Repurchase intentions	0.084	0.200	NO
Efficiency → Word-of-mouth	-0.111	0.077	NO
Product excellence → Satisfaction	0.233	0.001	YES
Product excellence → Repurchase intentions	0.105	0.128	NO
Product excellence → Word-of-mouth	0.274	0.000	YES
Service excellence → Satisfaction	0.249	0.004	YES
Service excellence → Repurchase intentions	0.086	0.342	NO
Service excellence → Word-of-mouth	0.241	0.001	YES
Social value → Satisfaction	-0.065	0.359	NO
Social value → Repurchase intentions	0.051	0.406	NO
Social value → Word-of-mouth	-0.056	0.329	NO
Play → Satisfaction	0.201	0.017	YES
Play → Repurchase intentions	0.135	0.049	YES
Play → Word-of-mouth	0.125	0.039	YES
Aesthetics → Satisfaction	-0.014	0.858	NO
Aesthetics → Repurchase intentions	0.216	0.004	YES
Aesthetics → Word-of-mouth	0.120	0.057	NO
Ethics → Satisfaction	0.185	0.007	YES
Ethics → Repurchase intentions	0.105	0.043	YES
Ethics → Word-of-mouth	0.113	0.034	YES
Spirituality → Satisfaction	0.041	0.588	NO
Spirituality → Repurchase intentions	-0.114	0.080	NO
Spirituality → Word-of-mouth	0.011	0.832	NO
Satisfaction → Repurchase intentions	0.386	0.000	YES
Satisfaction → Word-of-mouth	0.330	0.000	YES

Table 10: Model path coefficient and their corresponding P-Value

The following figure depicts the significance of the path for the model analyzed in this research. The red arrows represent paths that were not significant. On the contrary, paths that were proved to be

significant are indicated by green arrows. This figure also contains the path coefficient and the coefficient of determination ( $R^2$ ).

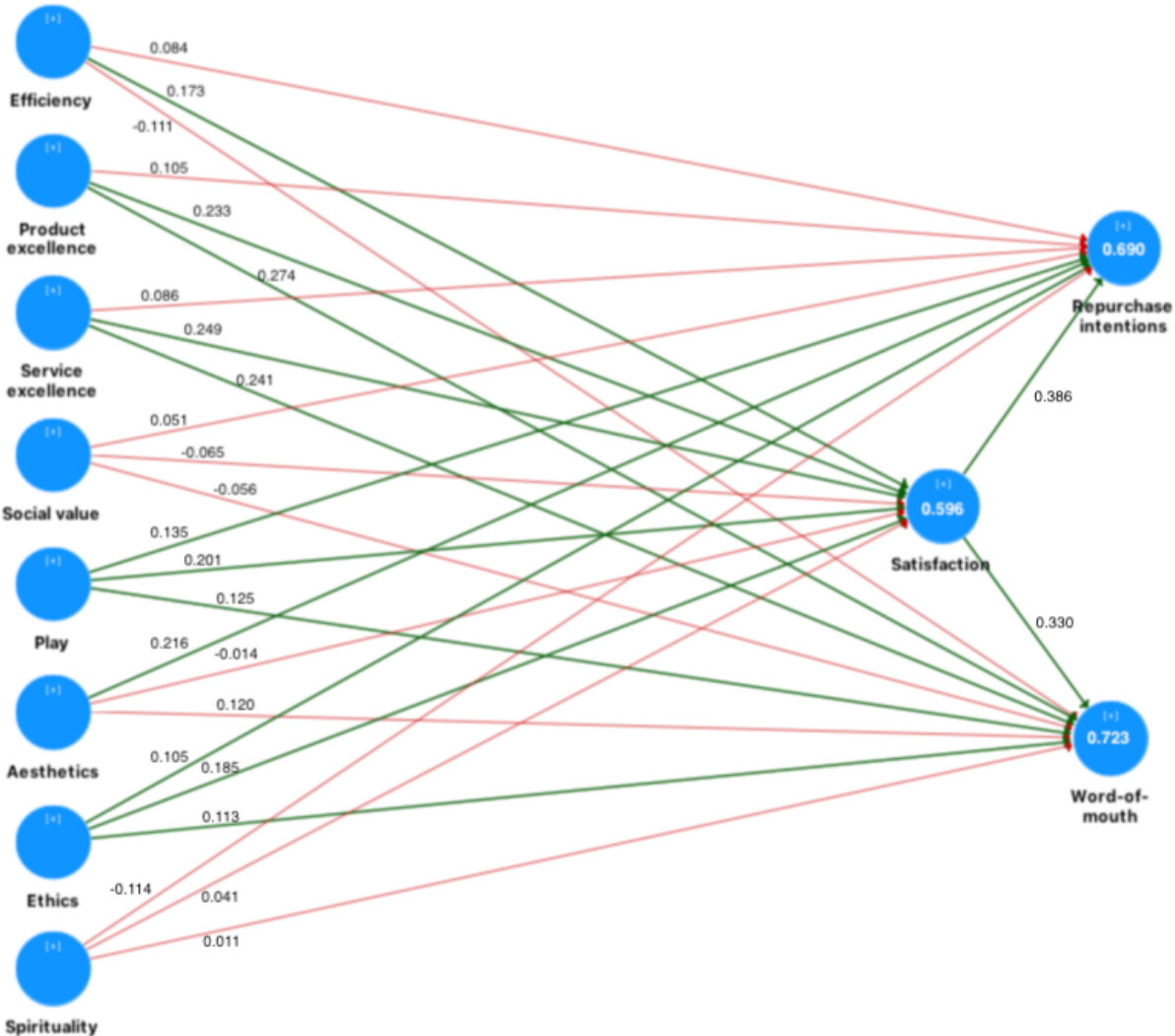


Figure 6: (in)significant path, path coefficient and coefficient of determination

## Chapter 5: Conclusion

As the retail sector is highly competitive, it is no easy task for retailers to survive in such a difficult environment, and as a result, they have no other choice but to define strategies that create customer value.

The objective of this master thesis was to measure the relative importance of each customer value type on customer outcomes for the cosmetics group Rituals. A quantitative analysis was realized in order to reach this objective. The findings of this research will provide deeper knowledge to Rituals' managers on their customers. The answers from 155 respondents were used in order to answer the central research question of this thesis:

*"What is the relative impact of the Holbrook's customer value types on customer outcomes (satisfaction, repurchase intentions and word-of-mouth) for the physical stores of Rituals".*

In order to answer this central question, different hypotheses were formulated. PLS-SEM algorithm was used to test them. Here are the results of these hypotheses:

	<b>Results</b>	<b><math>\beta</math></b>
H1 <sub>a</sub> : Efficiency is positively related to satisfaction.	Supported	0.173
H1 <sub>b</sub> : Efficiency is positively related to repurchase intentions.	Not supported	
H1 <sub>c</sub> : Efficiency is positively related to word-of-mouth.	Not supported	
H2 <sub>a</sub> : Product excellence is positively related to satisfaction.	Supported	0.233
H2 <sub>b</sub> : Product excellence is positively related to repurchase intentions.	Not supported	
H2 <sub>c</sub> : Product excellence is positively related to word-of-mouth.	Supported	0.274
H3 <sub>a</sub> : Service excellence is positively related to satisfaction.	Supported	0.249
H3 <sub>b</sub> : Service excellence is positively related to repurchase intentions.	Not supported	
H3 <sub>c</sub> : Service excellence is positively related to word-of-mouth.	Supported	0.241
H4 <sub>a</sub> : Social value is positively related to satisfaction.	Not supported	
H4 <sub>b</sub> : Social value is positively related to repurchase intentions.	Not supported	
H4 <sub>c</sub> : Social value is positively related to word-of-mouth.	Not supported	
H5 <sub>a</sub> : Play is positively related to satisfaction.	Supported	0.201
H5 <sub>b</sub> : Play is positively related to repurchase intentions.	Supported	0.135
H5 <sub>c</sub> : Play is positively related to word-of-mouth.	Supported	0.125
H6 <sub>a</sub> : Aesthetics is positively related to satisfaction.	Not supported	
H6 <sub>b</sub> : Aesthetics is positively related to repurchase intentions.	Supported	0.216
H6 <sub>c</sub> : Aesthetics is positively related to word-of-mouth.	Not supported	
H7 <sub>a</sub> : Ethics is positively related to satisfaction.	Supported	0.185
H7 <sub>b</sub> : Ethics is positively related to repurchase intentions.	Supported	0.105
H7 <sub>c</sub> : Ethics is positively related to word-of-mouth.	Supported	0.113
H8 <sub>a</sub> : Spirituality is positively related to satisfaction.	Not supported	
H8 <sub>b</sub> : Spirituality is positively related to repurchase intentions.	Not supported	

H8 <sub>c</sub> : Spirituality is positively related to word-of-mouth.	Not supported	
H9: Satisfaction is positively related to repurchase intentions.	Supported	0.386
H10: Satisfaction is positively related to word-of mouth.	Supported	0.330

*Table 11: hypotheses results*

On the basis of table 11, it is possible to answer the main research question by examining the impact of the eight value types on customer outcomes.

The three most important predictors of satisfaction are respectively service excellence, followed by product excellence and play. Concerning repurchase intentions, it is mainly predicted by aesthetics, play and ethics. Product excellence, service excellence and play mainly explain the willingness of customers to talk to other people about Rituals.

The positive effect of play on the three different outcomes (satisfaction, repurchase intentions and word-of-mouth) indicates the importance for Rituals' customers to have a good time. This is in line with the motivation of shopping in a cosmetics store. According to Wagner and Rudolph (2010) there are two motives for shopping and both refer to a specific context: task fulfillment in a utilitarian context and recreation in a hedonic context. The former refers to the desire to accomplish a functional shopping task in an efficient way. The latter refers to the customer's desire to experience pleasure while shopping. Since this research takes place in a hedonic context, it makes sense that play (and not efficiency) is one of the key predictors of the three customer outcomes. Some customers indeed see shopping in a Rituals store as a leisure activity from which they want to get pleasure. However, the analysis of the data indicates that efficiency is expected in order to create customer satisfaction. This is in line with Carpentier et al. (2005, p52) who stated that: "a combination of hedonic and utilitarian value is sought by consumers". Nonetheless, efficiency is not a key predictor of satisfaction, repurchase intentions and word-of-mouth for Rituals' customers.

Ethics also has a significant positive relationship with the three different customer outcomes (satisfaction, repurchase intentions and word-of-mouth). This is in accordance with the fact that ethics became these previous years an important concern for some customers. The number of ethically sensitive consumers indeed raised due to the diffusion of reports and articles about unethical companies in the media (Nicholls, 2002). This seriously damaged some retailers' reputation and incited the retail sector to become more ethical (Pretious and Love, 2006). Therefore, the result of this study confirms this trend in the customers' attitude and illustrates that socially responsible stores are desired by Rituals' customers.

Finally, aesthetics is the first key predictor of repurchase intentions. This is in accordance with the findings of Kaltcheva and Weitz (2006). They have found, that in a hedonic context, customers desire high-arousal retail environment. That goal can be achieved by modifying different elements like music, colors, store layout, etc. Therefore, management of the store environment is important if you want your customers to shop again in the future.

## **5.1: Theoretical contributions and managerial implications**

The quantitative analysis that has been realized here provides valuable theoretical contributions and managerial implications. They will be developed in this section.

First of all, the application of the eight customer value types to a specific shop enhances the knowledge of customer value in a retail context. The quantitative analysis revealed that customer satisfaction was first predicted by service excellence then by product excellence and play. Willems et al (2016), who have investigated customer value in the grocery shopping context, surprisingly found that play value reduces customer satisfaction. My findings are opposite with those of Willem et al. (2016). For the authors, it is the context of the experience that explains their surprising results. According to them, the utilitarian nature of shopping in a grocery store influenced customers to shop efficiently and not to expect recreational distractions. My master thesis has been realized in a hedonic context and it may confirm their explanation. Of course, efficiency is also expected but it is not a key predictor of customer satisfaction. Since both hedonic and utilitarian values are expected by customers (Carpentier et al., 2005), both efficiency and play values are expected. However, store operating in a more hedonic context should invest more in play value rather than in efficiency, since it will have a higher impact on customer satisfaction.

More specifically, this research has been realized on a specific store, namely Rituals. The analysis of the relationships between each customer value type and the three different customer outcomes leads to interesting findings. Indeed, service excellence, product excellence and play are the first three predictors of customer satisfaction. This suggests that customers don't only want to find pleasure during the shopping experience in a hedonic context like it is the case in Rituals. In the first place, customers are interested in the excellence of the service and of the products. Therefore, if Rituals wants to get customer satisfaction, the group has to maintain or even enhance the quality of both its services and products. Service excellence can for instance be maintained thanks to a good human resource management. Rituals' customers also expect a recreational distraction when shopping. As a result, when implementing the strategy, Rituals' managers should think about the pleasure people can get from their shopping experience. The analysis also revealed that ethics positively influences the three customer outcomes. It is therefore important for Rituals to communicate the socially responsible actions that they take. So doing, they will improve the satisfaction of their customers. Finally, aesthetics also enhances repurchase intention. Thus, Rituals has to provide a pleasant store environment in order to incite their customer to talk to their relatives about the Rituals stores.



## 5.2: Limitations and future research

Though this master thesis provides some interesting theoretical and practical contributions, some limitations have to be taken into account. These limitations consist of shortcomings that negatively impact the results of the study.

The first limitation concerns the sample of respondents. The survey was indeed distributed via the social media, which explains the young average age of the sample (only 26.7 years). This means that the results may not be generalized to the real population. Moreover, this study has been conducted in only one country (Belgium) and especially in the region of Liege. It is clear that cultural differences between countries may influence customer value and its impact on customer outcomes. It follows that, the results may suffer from the lack of diversity in the sample. In order to generalize the results to all Rituals stores, I suggest that other researchers should do the same kind of study in various countries and with a sample corresponding perfectly to Rituals' customers (gender, age, etc.).

Secondly, some managerial recommendations have been suggested to Rituals (e.g. the communication of the socially responsible actions taken by Rituals). Maybe it would be interesting to analyze the impact of them on the relationship between a particular value type and the customer outcomes. One could for instance examine if the communication of socially responsible actions has an impact on the relationship between ethics and the three customer outcomes. Analyzing whether or not there is an impact could maybe enable Rituals to know if the managerial recommendations I formulated in this master thesis can be applied. This opens up another avenue of investigation.

It is clear that the study which has focused on a specific retail store, namely Rituals does not allow to generalize the results to the whole cosmetics industry. Future researches with a series of different cosmetics stores might aim at generalization. This leads then to another question: "*What is the relative impact of the Holbrook's customer value types on customer outcomes in the cosmetics industry?*". This research question may be investigated by selecting different stores in the cosmetics industry. Then the researcher should randomly assign each respondent to one of the stores. This implies that the respondents should answer the questions for one store only. And in order to put the final touches to the study, a series of one-way ANOVAs on the different value types should be realized because that would enable researchers to see if there are significant differences between the selected stores.

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