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The effects of mall renovation on shopping values, satisfaction and spending behaviour

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ABSTRACT

Managers renovate malls to keep up with newer shopping centres and retail formats that erode traffic. This paper investigates shoppers' psychological processes that trigger changes in spending behaviour in the renovated mall. Renovation has a direct impact on the perception of the mall atmosphere and an indirect one on shoppers' hedonic and utilitarian values, satisfaction, and spending. Renovation affects shoppers' spending through the perception of utilitarian shopping benefits.

This study is the first of its kind to explore the effects of mall renovation on shoppers' spending. It focuses on the effect of renovations on shoppers' holistic perception of the mall atmosphere. The hedonic benefit contributes more to shoppers' satisfaction than does the utilitarian value. However, the utilitarian value affects shoppers' spending while the hedonic value does not.

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1. Introduction

Shopping malls begin to decline “at about age 15 in the absence of substantial addition or renovation” (Flynn, 1987, p. 120). Managers renovate malls to keep up with newer shopping centres and retail formats that erode traffic. Strategic deterrence can explain shopping centre renovations and expansion decisions (Clapp et al., 2011). The law of commercial gravity (Huff, 1963) is a constant reminder that newer and larger shopping centres are likely to displace traffic according to their attraction power (size) and their relative proximity. The International Council of Shopping Centers (ICSC) found that consumers with similar shopping trips and trip durations spend less money per visit in malls surrounded by competition within a 20-mile radius than in malls without such a competition (Lambert and Connolly, 2001).

As new indoor malls, entertainment, and lifestyle shopping centres open, retail tenants are also likely to migrate along with shoppers. Rental income in real terms gradually decreases over time and renovation costs keep increasing. A mall is due for renovation when the marginal cost of renovating equals the marginal loss of rental income (Wong and Norman, 1994).

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The face lifting of a mall combines numerous changes ranging from resurfaced parking spaces, a brand new facade, redesigned entrances, revamped common areas, spacious corridors, modernised lighting, improved signage, fluid shopper circulation, enhanced key tenant's visibility, and reorganised store layouts (Feldman, 2004). For DTZ (<http://www.dtz-ugl.com>), a Chicago-based worldwide property manager, mall refurbishing increases the value of the retail space, improves the functionality, and reposition the facility in the market through its development and change of tenant-mix (DZT, 20012).

Increased revenues from refurbished malls are derived from both higher shopper traffic and enhanced shopper spending. This paper investigates shoppers' psychological processes that trigger changes in spending behaviour. The theoretical model pinpoints the mediating constructs hypothesised to relate the renewed environment to incremental spending. The model was tested by administering a questionnaire to shoppers visiting a mall before and after the completion of the renovation works. Perceived shopping benefits and satisfaction mediate the relationship between the renovated mall atmosphere and spending behaviour.

This study is the first of its kind to explore the effects of mall renovation on shoppers' spending. It focuses on the effect of renovations on shoppers' holistic perception of the mall atmosphere. Hedonic and utilitarian shopping values do not play symmetrical roles. The hedonic benefit contributes more to shoppers' satisfaction than does the utilitarian value. However, the utilitarian value, which has been widely ignored in the literature, affects shoppers' spending while the hedonic value does not.

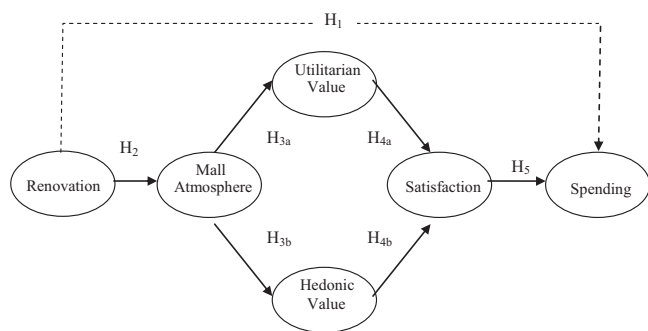


Fig. 1. Theoretical model.

The conceptual framework outlines that (a) the renovated mall mediates the holistic perception of ambient factors making up the mall atmosphere, (b) the perceived mall atmosphere influences hedonic and utilitarian shopping values, (c) shopping values mediate shopper satisfaction, and (d) satisfaction, in turn, impacts shoppers' spending (Fig. 1). The model is tested in situ, using a quasi-experimental Partial Least Square model (PLS), with a before ($n=262$) and after ($n=283$) sample.

2. Conceptual framework

2.1. Effects of mall renovation on spending

The empirical findings regarding the effects of renovations on economic performances point in opposite directions. On the one hand, Gomez et al. (2004) found that renovated stores “show higher changes in sales performance.” LeHew and Fairhurst (2000) also report convergent findings: “Renovating a centre benefits tenants as well as mall owners. Sales volume and market share improve.” Renovation was recommended as one key solution to improve shopping malls financial situation (Carlson, 1991). This strategy is based on the general knowledge mall managers have, as reported in the trade press.

On the other hand, the International Council of Shopping Centres (ICSC) reports that mall refurbishment completed in the prior 12 months has no effect on the number of visits or the amount of spending per trip. Duration of shopping trips in renovated malls is slightly longer than in those that have not been renovated. Lambert and Connolly (2001) conclude that shoppers' response is not “overwhelmingly favourable to renovation and expansion activities.” More importantly, they suggest that other factors such as tenant mix and the presence or absence of some retailers may play a bigger role. Effective mall renovation requires more than cosmetic changes. “Attracting the right tenant mix is just part of this turnaround strategy” (Feldman, 2004) to create a new shopping ambiance.

H₁. Mall renovation has no direct effects on shoppers' spending. Its influence is mediated by the perception of the mall atmosphere, shopping values and shopper satisfaction.

2.2. Renovation affects the mall atmosphere

A major purpose of renovation is to improve the ambiance of the shopping venues. Though this relation is intuitively obvious and vitally important to retailers, no academic research has so far dealt with it. In contrast, the trade literature underscores articles where consultants, mall and retail managers demonstrate a high level of enthusiasm for specific renovations that they assume will enhance retail atmosphere. For example, renovation enhances “a

comfortable atmosphere”, makes “it inviting for shoppers to stay longer.” (Liddane, 2013), creates “a more exciting and inviting atmosphere for shoppers” (van den Berg, 2003), and gives malls “a magical ambience at night that it previously lacked” (Chain Store Age, 1992). Mall renovation makes “the shopping centres more attractive to the general public by creating a more trendy atmosphere” (Bamrung, 2003), and increases “the atmosphere of festival marketplace” (Knapschaeffer, 1990). Moreover, renovation improves “the circulation of the mall” (Bodamer, 2010).

The environmental psychology paradigm (Mehrabian and Russel, 1974) best explains the effect of the mall atmosphere on shoppers' response. Environmental psychologists suggest that shoppers are likely to react in two contrasting forms of behaviour: approach and avoidance. Approach is a desire to stay, explore and affiliate, and avoidance is the opposite. Shoppers in a state of approach behaviour are more likely than others to extend their shopping trip and expose themselves to additional buying opportunities. In a pleasing ambiance, shoppers are also in a better mood. Therefore, they are subject to arousal and more likely to favourably process ambient cues. Obermiller and Bitner (1984) observed that shoppers who viewed retail products in an emotionally pleasing environment evaluated products more positively than consumers who viewed the same products in a less pleasant atmosphere.

The overall renovated mall design is expected to generate excitement (Wakefield and Baker, 1998). Shoppers perceive the new mall environment in a holistic process rather than piecemeal (Mattila and Wirtz, 2001; Michon et al., 2005; Gilboa and Vilnai-Yavetz, 2013). Atmospheric factors should be regarded as a “basket” of environmental cues that are perceived as a whole (Wakefield and Baker, 1998).

H₂. A successful mall renovation favourably mediates the holistic shopping ambiance.

2.3. Mall atmosphere affects shopping values

Shoppers' response to the mall environment will manifest itself through hedonic and utilitarian shopping values or benefits (Babin et al., 1994). The hedonic shopping value accounts for the emotions associated with shopping; the pleasure of shopping, escape from daily routine, being immersed in exciting new products, and spending time in an enjoyable way. The utilitarian value is goal-directed, task-oriented, and successfully completed. McGoldrick and Pieros (1998) note that consumers with strong shopping motives experience more pleasure and arousal.

Malls enhance hedonic shopping by making shopping a relaxing, self-gratifying, entertaining and an emotional activity (Westbrook and Black, 1985; Dawson, Bloch Ridgway, 1990; Babin et al., 1994; Kang and Kim, 1999; Rintamäki et al., 2006.; Millan and Howard, 2007; Teller and Reutterer, 2008). Design, personal space, décor, lighting, ambient music, and scents generate emotional responses and positively influence shoppers' desire to stay in the mall (Dennis, 2005, p. 46; Donovan and Rossiter, 1982; Wakefield and Baker, 1998).

Successful mall refurbishing is expected to help shoppers achieve their shopping objectives. The utilitarian shopping value is driven by a sense of accomplishment or a goal to obtain sought-after goods during the shopping trip (Olsen and Skallerud, 2011). Mall store layout and reshuffled tenants improve merchandising. Product and brand availability has an impact on the utilitarian value (Cottet et al., 2006). Easier mall access and effective signage facilitate wayfinding (Dennis et al., 2010). The reduction of the search time, fatigue and psychological costs improves the utilitarian shopping value which impact on shoppers' perceived mall equity and loyalty (Chebat et al., 2009).

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