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The role of pre-consumption experience in perceived value of retailer brands: Consumers' experience from emerging markets

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ABSTRACT

This empirical study integrates the theory of brand touchpoints and the theory of brand experience to investigate the combined effect of pre-consumption and consumption experience on consumer perceived value (CPV) and brand preference. We chose cosmetics retailing for investigation and consumers from a major emerging market: China. Findings reveal that favorable experience with the brand's marketing communication activities during the pre-consumption stage will elicit positive affective responses to enhance brand preference that contributes directly to perceived value and indirectly to brand loyalty. The study extends the conceptualization of consumption-based evaluation of perceived value of service brands to include the consideration of pre-consumption experience. Our findings contribute to a better understanding of the impact of different contact points on the development of brand equity in both pre-consumption and consumption phases from a holistic brand management perspective and provide guidelines for resource allocation on various marketing mix programs.

1. Introduction

The experience factor plays an increasingly important role in determining the success of a company's offering. Designing and managing customer experience has been widely recognized as an effective way to create value for customers (Addis & Holbrook, 2001; Carù & Cova, 2003; LaSalle & Britton, 2003; Schmitt, 1999; Shaw & Ivens, 2002). Brand experience is a type of customer experience and the base for cognitive appraisals that consequently provoke affective responses and satisfaction (Ding & Tseng, 2015). The theory of brand experience suggests that experiences with a brand would emerge from a set of interactions between the brand and its customers from pre-consumption to post-consumption stages. Brakus, Schmitt, and Zarantonello (2009) argued that customer experiences occur not only in the consumption process (e.g., purchasing and using products or services), but also in customers' exposure to marketing communication activities. Consumers' experience with a brand takes place as they search for product information, evaluate competing offers, make their buying decision, interact with frontline service personnel, and consume the product and service (Arnould, Price, & Zinkhan, 2004; Brakus, Schmitt, & Zhang, 2008; Holbrook, 2000). This holistic brand experience approach argues experiences with the brand at pre-consumption, consumption, and post-consumption stages, both should have individual and accumulated

effect on the assessment of the perceived value of a brand. This argument gains theoretical root from consumption theory, which suggests consumers normally follow a cognitive-affective-behavioral process to determine their future behavior to a brand (Holbrook, 1999).

Given the rising importance of brand experience on brand performance, there have been repeated calls for research on brand experience and brand equity (Chang & Chieng, 2006; Keller & Lehmann, 2006; Schmitt, 1999). Nevertheless, so far brand experience as an antecedent to consumer brand attitude has received inadequate attention in the extant literature (Biedenbach & Marell, 2010; Chaudhuri, 1995; Faircloth, Capella, & Alford, 2001; Ghose, 2007). Studies in this research stream are largely transaction-based, focusing on purchasing and consumption experiences while ignoring the potential impact of pre-consumption experience on the evaluation of brand performance. As a response, our study goes beyond transaction-based experience to include pre-consumption experience for their combined effects on consumers' perceived value of the brand.

The Theory of Brand Touchpoints reveals the fundamental importance of monitoring the experiences originated from critical touchpoints where consumers interact with the brand. Brand touchpoint refers to any customer point through which the customer and the brand interact (Neslin et al., 2006). Moreover, experiences with a brand can take place in both direct and indirect manners. Direct experience refers

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to purchase and consumption of the product whereas exposure to the brand's communication messages and activities are indirect experiences (Brakus et al., 2009). This leads to the suggestion that “a significant part of consumer's brand experience is the result of their exposure to a brand's marketing mix” (Shamim & Butt, 2013; p.104). In the retail sector, advertising, event marketing, and sales promotions are major marketing mix components frequently used by retailers to promote their brand and business. Despite their role in shaping brand attitudes and stimulating purchasing behavior, the contributions of these mix elements to perceived value and loyalty of a brand remain unclear and under-researched (Chu & Keh, 2006; Netemeyer et al., 2004). Many empirical studies in these areas either focus on the individual effect of these mix elements on purchasing motivation and behavior or examine their impact on low-level brand equity measures like awareness instead of high-level measures like customer perceived value (CPV) and customer loyalty. Besides, how brand preference (BP) and emotional responses (ER) influence CPV and brand loyalty have not been addressed adequately, especially in the retailing context in the Asian Markets. As a timely response to this research gap, our study focuses on three pre-consumption brand elements, print advertisements, public relations (PR) events, and Word-of-Mouth (WoM), to examine their potential effect on affective responses to retailer brands and combined effect with consumption experience on major dimensions of behavioral brand loyalty (BBL) and CPV.

Furthermore, there has not been systematic empirical research that explores the relationship between brand preference that is mainly driven by pre-consumption experiences with a brand's marketing communication activities and CPV that is determined by consumption experience, and how they combine to influence brand loyalty. In particular, the number of works in emerging markets where consumers and retailers have specific characteristics is low (Greenland, Coshall, & Combe, 2006; Javalgi & Martin, 2007).

However, differences in socioeconomic conditions lead to differences in consumer behavior (Greenland et al., 2006; Shukla, 2010). Coupled with the fact that consumers in emerging markets are more likely less familiar with foreign brands (Batra, 1997) and retail services (Jin & Sternquist, 2003; Shukla, 2010), more value-conscious, and price-sensitive (Brouthers & Xu, 2002; Cui & Liu, 2001), they may differ in information searching behavior and in evaluating their experience of retailer brands and formation of brand equity. In line with the increase in personal income in such emerging countries as China, India, and Brazil, more consumers from these countries go to developed countries for traveling and shopping (Sharma, Ivy, & Luk, 2015). Knowledge about what sorts of communication elements and which aspects of consumption experience would be more critical to the evaluation of brand experience and the dynamics of brand equity by consumers from emerging markets will enable retailers in developed markets to serve the former better and allocate resources to support marketing mix programs optimally.

The present study thus endeavors to narrow this knowledge gap by answering the following questions based on consumers' shopping experience in an emerging market with vast growth potential, specifically China:

- i. What are the roles of pre-consumption experiences in the assessment of the perceived value of the consumption outcome and development of brand equity?
- ii. In addition to consumption experience, how can pre-consumption experience enhance brand experience?
- iii. To consumers from emerging markets like China, which marketing communication touch points, i.e., print Ads, WoM, and PR events, will be most effective in developing a higher level of BP and stimulating ER to reinforce brand loyalty?

Brand experience research should aim to investigate the predictive validity of brand experience with important analytically and

cognitively driven concepts in brand literature, such as brand attitudes and brand equity (Schmitt, 2009). As a response to this call, the present study aims to achieve three major objectives. The first is to disentangle the effect of the experiences at individual critical touch points from pre-consumption to consumption stages on CPV and BP. The second objective is to investigate how BP contributes to the perceived value of the brand and ER mediates the impact of perceived value on brand loyalty. Subsequently, the accomplishment of the objectives above will extend the theoretical conceptualization of the effect of marketing communication activities on persuasion power, development of brand attitude, and purchase behavior to the assessment of the perceived value of a brand.

The subsequent section provides an extensive literature on the relationships among pre-consumption experience, consumption experience, BP, perceived value, and brand loyalty and on the proposed model. Next, the research methodology is explained, followed by a section on findings and discussion. Then, both academic contributions and pragmatic implications are discussed. Finally, limitations of the present study and opportunities for replication studies are described.

2. Literature review and hypotheses

2.1. Pre-consumption brand experience and brand preference

The experiential approach offers an original view into consumer behavior. The focus of consumer behavior research shifts from product consumption experience (functional) to the experiential aspect of consumption. Since consumers' experience with a brand flows through four stages, namely pre-consumption, purchasing, consumption, and post-consumption, brand experience is therefore not restricted to consumption experience; instead, it occurs whenever there is a direct or indirect interaction with the brand (LaSalle & Britton, 2003).

Brand experience refers to consumers' subjective and internal responses to brand-related stimuli (Brakus et al., 2009). It provides sensory, affective, intellectual and bodily stimulation, which determine the experiential value to increase the customer's perceived value of a brand (Brakus et al., 2008; Pine & Gilmore, 1999). Brand experience arises from consumers' judgments about what they like or dislike about a product or brand (Spears & Singh, 2004). Evaluation of brand experience is thus subject to the comparison between a customer's expectations and the stimuli coming from the interaction with the brand in correspondence with different touch-point moments (Gentile, Spiller, & Noci, 2007). Brand experience affects customers' feelings, brand attitudes, satisfaction, loyalty (Grace & O'cass, 2005), and emotional and affective responses (Oliver, 1997).

Internal and behavioral responses elicited by the experience of a particular brand are not evaluative (Brakus et al., 2009) but they should be the input to brand attitudes. In most cases, consumers might first have an experience with its marketing communication activities and then subsequently form a judgment about the brand based on personal consumption experience and the outcome.

A brand is a way to provide experiences (Schmitt, 1999). The experiential view of brand preference considers the combined influences of cognitive, emotional, and hedonic responses of buying and consumption on the development and dynamics of brand preference (Holbrook & Hirschman, 1982; Pappu & Quester, 2008). BP addresses consumers' attitudes (Bass & Talarzyk, 1972; Stanton & Lowenhar, 1974) and predispositions or biases towards a certain brand (Zajonc & Markus, 1982). BP reflects the extent to which the customer favors a particular brand in comparison to competing brands in his or her consideration set (Hellier, Geursen, Carr, & Rickard, 2003).

Marketing communication activities, either controlled or uncontrolled, influence brand equity (Madhavaram, Badrinarayanan, & McDonald, 2005) including BP (Alamro & Rowley, 2011). Three common marketing communication activities, advertisements (Ads), PR, and WoM, are basic components of pre-consumption

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