



Investigating the effectiveness of retailers' mobile applications in determining customer satisfaction and repatronage intentions? A congruency perspective

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ABSTRACT

With the increasing use of handheld digital devices for shopping, retailers are trying to effectively implement mobile applications. Drawing from extant literature on customer value, this research explores the factors that drive customer satisfaction with retailers' mobile applications (mobile apps) and the subsequent effect on repatronage intentions with the retailer. Data were collected from customers who use retailer mobile apps, and PLS-SEM was used for analysis. We find that the fit between retailer brand image and the mobile application positively affects customer satisfaction with the retailer mobile app. In addition, functional value and hedonic value of retailers' mobile applications positively influence customer satisfaction with the retailer mobile app. Finally, satisfaction with the retailer mobile app partially mediates the relationships between congruency, functional, hedonic and social values and repatronage intentions towards the retailer. Theoretically, this paper provides a better understanding of how the retail app-brand fit plays a vital role in determining satisfaction and repatronage intentions in an increasingly competitive retail app environment. From a managerial perspective, current paper emphasizes the importance of functional and hedonic values in providing the same experience at each retail touch point for companies that decide to go with omnichannel retailing.

1. Introduction

The scope of the retail stores' mobile apps in omnichannel retailing is growing (Kosir, 2016). Today, mobile shopping drives about one-third of e-commerce in the world and total sales revenue through cell-phones (mobile commerce) account for around \$100 billion per year in the U.S. (Lazar, 2016). In fact, more than half of visits to shopping websites come from smartphones and tablets (Molla, 2017). Retailers can respond to this new trend in mobile shopping by developing their own application (app); an app that “represents a self-contained software program dedicated solely to that retailer” (Taylor and Levin, 2014, p. 760). Retail stores' apps can provide several benefits such as product information, reviews, and store location (Danaher et al., 2015; Fong et al., 2015). Mobile apps can play a role in providing relevant/directed (Grewal et al., 2016), and location-based (Andrews et al., 2016) information to customers. In addition, retailers' apps tend to provide experiential benefits (i.e., customer engagement, rewards)

(Dinner et al., 2015; Narang and Shankar, 2016). In summary, there is consensus in the literature that retailer apps have the capacity to augment customers' shopping experience (Shankar et al., 2016). However, there is limited attention directed towards understanding the factors driving customer use of retail stores' apps and its possible consequences (Dinner et al., 2015). In this research, we explore the possible antecedents behind a customers' decision-making for using a retailer app, and how it affects the overall repatronage intentions.

Understanding the antecedents of customers' use of retail stores' apps becomes important, as the consumer use of mobile apps is less enthusiastic than expected (E-marketer, 2016; Lee and Kim, 2018). Researchers have suggested that the less enthusiastic response is in part due to the mismatch between the retailer app and customer expectations (Lee and Kim, 2018; Lim, 2013). Mobile shopping needs to be considered different from online shopping given that differences in interfaces that may influence search costs and subsequently the purchase behavior (Goh et al., 2015; Kim et al., 2017). While researchers

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consider retail stores' apps to be brand extensions of the retailer (Stocchi et al., 2017), limited work has been directed towards understanding the factors that drive customer satisfaction of the retail store's app and its spillover effect on customer repatronage intentions with the retail store (Narang, Shankar, and Narayan, 2018). In addition, considering that multi-channel retailing and brand extension literature (Badrinarayanan et al., 2012; Kwon and Lennon, 2009; Mao and Krishnan, 2006) put an emphasis on a converging experience across retail channels, along with increasing importance of the technology, suggests the need for more research towards understanding customer use of mobile apps.

More research studies need to explore the factors that can drive customers to use retail stores' shopping apps. In addition, the overall satisfaction of customers with retailer apps and its influence on repatronage intentions need to be further investigated (Shankar et al., 2016). To address these research gaps, we investigate the role of customer value and its dimensions to better understand the factors that determine customer satisfaction with retailers and subsequent influence on repatronage intentions. Specifically, we answer the following questions: Do retailer apps increase functional, hedonic and social shopping value? Do retailer apps increase customers' overall shopping satisfaction? Does congruency between the retailer brand and the retailer app influence overall shopping satisfaction? Thus, current study addresses the gap in understanding the role that the retailer apps play in determining retail patronage by providing a more comprehensive framework for understanding the role that various types of value (functional, hedonic and social) play in determining satisfaction with a retailer app and subsequently the repatronage intentions. The findings of the study contribute to the literature by indicating the relationships among levels of brand-app congruency, functional value, and hedonic value with the satisfaction towards retailer apps. This paper also adds to the literature of perceived value framework by showing how congruency between a retailer app and retailer image can moderate the overall perceived value derived from the retailer app, thus highlighting the possible factors that can enhance/diminish the value-satisfaction relationship. The following section discusses the development of the research model and hypotheses.

2. Theory and hypotheses development

While retailer apps have been seen as a supplement to the overall retail experience (Grewal et al., 2012; Grewal et al., 2016; Taylor and Levin, 2014), there exists potential for retail apps to take a much broader role in influencing customer behavior towards the retailers (Fulgoni and Lipsman, 2016; Kim, Wang, and Malthouse, 2015). Fulgoni and Lipsman (2016) argue that the use of a branded mobile app will enhance customer purchase intentions for a retailer. Kang et al. (2015) use perceived characteristics of innovations framework (Rogers, 1995) to discuss the customer adoption of location-based retail stores' mobile apps. More specifically, they find that innovative characteristics (such as time convenience and interactivity) influence customers' affective and cognitive involvements with location-based mobile apps, leading to subsequent downloads and use of these apps. Gu et al. (2013) focus on the importance of different types of interactivity (i.e., machine and person) in determining app reliability and customer purchase intentions. Coursaris and Sung (2012) also discuss the importance of interactivity in increasing affective involvement and download/use of mobile apps. More recently, Kim et al. (2017) find that mobile apps (not necessarily retailer apps) that are relevant and interactive, lead to an increase in customers' spending. This finding is also corroborated by Narang and Shankar (2016) who find that mobile app adopters buy more frequently as compared to non-adopters. Taken together, customers' use of retailer mobile apps is influential in determining customer purchase intentions and associations with a retailer. To arrive at a better understanding of *why* customers use retailer mobile apps, we borrow from the customer value framework. The customer value

framework discusses the value perceptions that customers hold about a market offering, and how these value perceptions can influence their use of a product/service. In the next section, we discuss the customer perceptions of value, and how they associate with the customer use of retailer apps.

2.1. Customer value and its dimensions

Several definitions of customer value exist in the literature (Dodds et al., 1991; Zeithaml, 1988). We view customer value as the overall assessment of the utility of a product/service based on what is received and what is given (Zeithaml, 1988). Customer value also includes the outcomes/end-state and the experience during the goal achievement process (Carlson et al., 2015). Although value was initially viewed as the ratio of benefits to costs, its scope has significantly increased to include a multi-dimensional approach involving the hedonic and social facets of customer behavior (Sánchez-Fernández and Iniesta-Bonillo, 2009; Sweeney and Soutar, 2001). Customers use products/services for a variety of reasons that may encompass various dimensions of customer value. These perceived values, in turn, facilitate the decision-making process (Grewal et al., 2004). This viewpoint is anchored in the framework of perceived value that was developed by Sheth et al. (1991). Sheth et al. (1991) view customer choice as a consequence of various customer values. Sweeney and Soutar (2001) use this framework and identify functional value dimensions of quality/performance and price/value, emotional/hedonic value, and social value. Using this framework, we argue that in the current context, customers may use retailer apps to meet the basic functions such as managing and organizing coupons, checking prices/offers, etc. (functional value), and/or to have feelings of fun, fantasy or other such associations (hedonic value), and/or interaction with society (social value). It is important to note here that while we decide to use three values (functional, hedonic, and social), there are other dimensions of value that we have not considered. Sheth et al. (1991) discuss two additional values: conditional value (context-specific temporary social/functional value) and epistemic value (novelty and curiosity) that can influence customer choice.² In this paper, we follow the approach undertaken by Sweeney and Soutar (2001) and include only the three value dimensions that are relevant to our research question – functional, hedonic and social value. In addition, both conditional value and epistemic value are measured to some degree by the three primary values discussed in this study. Consequently, we do not include conditional and epistemic values in our research model.

Given that all retail stores' apps have some degree of these value propositions, these perceptions of value that are associated with the app will ultimately influence the customer decision to shop at a given retailer. Extant literature has examined the role of these values in determining usage/patronage behaviors (Pura, 2005; Sweeney and Soutar, 2001). Customer perceived value is also seen as determinant of satisfaction with the store (Carlson et al., 2015). Cronin et al. (2000) have argued that customer satisfaction is a consequence of customers' perceptions of value. Indeed, this line of thinking has been used in several existing studies in services management (Babin et al., 2005; Carpenter, 2008; Ryu et al., 2010). For example, Ryu et al. (2010) find

² Conditional value denotes the value that results from the independence of time and place (Sheth et al., 1991). It is contextual and is experienced in certain conditions, depending on the location, social environment, time, personal state of the customer, etc. (Pihlström and Brush, 2008). Conditional value is a derived value (and hence is measured to some degree). Epistemic value measures a focal offering's ability to arouse curiosity, novelty – generally revolving around customers seeking out new experiences (Sweeney and Soutar, 2001). Epistemic value is closely aligned to the concept of experiential behavior – where customers are interested in pursuing a behavior without a specific goal in mind (Novak et al., 2003). Both conditional and epistemic values become context-specific, and have subsequently received less attention in the literature.

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