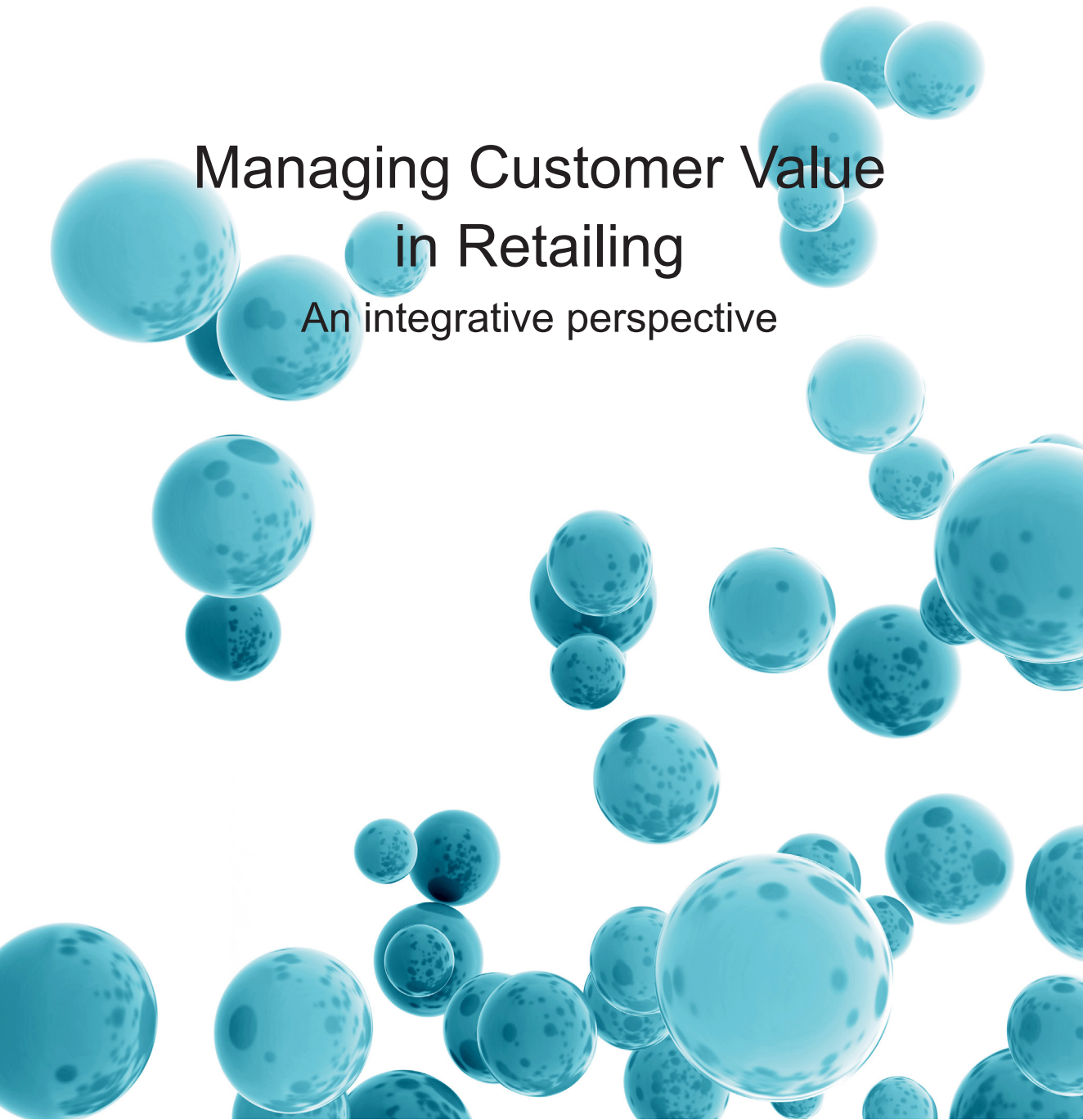


TIMO RINTAMÄKI

Managing Customer Value in Retailing

An integrative perspective





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ACADEMIC DISSERTATION

To be presented, with the permission of
the Board of the School of Management of the University of Tampere,
for public discussion in the Paavo Koli auditorium,
Kanslerinrinne 1, Tampere,
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UNIVERSITY OF TAMPERE

TIMO RINTAMÄKI

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Marketing research fascinates because it allows bringing together insights into consumer behavior and firms' strategy in a manner that is unique among the sciences. Since I first embarked on my doctoral studies in marketing, the concept of customer value has brought me on a long journey of seeking the answer to why and where customers buy. Along that journey, I have been fortunate to have time to take several perspectives for my quest, with their respective roles: researcher, teacher, practitioner, and academic consultant. Moreover, the greatest benefit of customer value research for me has been in the strong community of people who have not only made this journey possible but also enriched it over the years.

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Developing an idea that is worth publishing is just the beginning of the process of getting one's work published. Communicating the idea is the next crucial step. The dedication and talent of Dr. Anna Shefl in improving the language of my text has greatly helped me in this process.

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My wife Ami, you are the proof that my long journey was worthwhile: when it led me 8,400 kilometers from Tampere, I found you. Thank you for your loving support. And now we have begun a new journey with our gorgeous son Emil, who entered the world just before my dissertation did.

Tampere, March 3, 2016

Timo Rintamäki

Abstract

The contemporary retail world is in transformation, propelled by changes in the roles of customer value, digitalization, and competitive advantage. Customer value is gaining more relevance in explaining consumer behavior, digitalization is redefining the boundaries of value creation, and customer value management is increasingly shaping competitive advantage. Hence, this dissertation has been written to conceptualize and model the management of customer value in retailing.

Guided by this objective, the thesis project has investigated three themes in the management of customer value in retailing: 1) modeling and measuring the key dimensions of customer value in retail, 2) identifying competitive customer value propositions for management of the value, and 3) investigating how digitalization transforms customer value in a retail context. Four articles, taking both quantitative and conceptual approaches, serve as the foundation for investigating these themes.

Based on the results presented, an integrative framework for managing customer value in retailing is proposed that encompasses four interdependent and complementary perspectives: the customer, context, process, and company angles. The customer perspective provides for modeling and measurement of customer value conceptualized along economic, functional, emotional, and symbolic dimensions. The contextual perspective brings techniques for profiling customer value in relevant contexts – essential for operational management of customer value. From the processual perspective, this work explores digitalization for information-based value creation during the customer's purchase process. Finally, the strategic company perspective entails a focus on identifying competitive customer value propositions informed by the customer, context, and process perspectives.

The contribution of this dissertation lies in bringing theoretical domains together for a comprehensive but concise conceptualization of customer value and customer value propositions on the same dimensions. The work also presents scales and models for measuring and profiling value from the four perspectives, with the aim of a customer-value-based philosophy for managing value in retailing.

Keywords: Customer value, value proposition, customer-oriented strategy

Tiivistelmä

Kauppa on murroksessa, jota vauhdittavat muuttuvat asiakkaiden arvostukset, digitalisaatio ja uudistuva kilpailuetu. Asiakasarvon merkitys kulutuskäyttäytymisen selittämisessä on kasvussa, digitalisaatio uudelleenmäärittää arvon luomisen rajat, ja asiakasarvon johtaminen luo kilpailuetua. Tämän väitöskirjan tavoitteena on käsitteellistää ja mallintaa asiakasarvon johtamista modernin kaupan kentässä.

Tavoitteen ohjaamana tässä väitöskirjassa tutkitaan kolmea asiakasarvon johtamiseen liittyvää teemaa: 1) asiakasarvon keskeisten ulottuvuuksien mallintaminen ja mittaaminen, 2) kilpailukykyisten arvolupausten tunnistaminen asiakasarvon johtamiseksi, ja 3) asiakasarvon muutos digitalisaation myötä. Neljä osajulkaisua, joissa hyödynnetään sekä kvantitatiivista että käsitteellistä lähestymistapaa rakentavat pohjan näiden teemojen tutkimiselle.

Tämän väitöskirjan tulosten perusteella esitetään neljästä toisistaan riippuvasta ja toisiaan täydentävästä näkökulmasta koostuva kokoava viitekehys asiakasarvon johtamiseen. Näkökulmat ovat: asiakas, konteksti, prosessi ja yritys. Asiakasnäkökulma tuottaa taloudellisen, toiminnallisen, emotionaalisen ja symbolisen arvon mallintamisen ja mittaamisen. Kontekstuaalisen näkökulman tuloksena syntyy tapa profiloida asiakasarvoa relevanteissa konteksteissa, mikä on oleellista asiakasarvon operatiivisessa johtamisessa. Prosessuaalinen näkökulma kartoittaa asiakkaan hankintaprosessin vaiheissa digitalisaation tuomia mahdollisuuksia informaatiopohjaiseen arvon luomiseen. Lopulta strateginen yrityksen näkökulma keskittyy asiakas-, konteksti- ja prosessinäkökulmia hyödyntäen kilpailukykyisten arvolupausten tunnistamiseen.

Tämän väitöskirjan kontribuutiona on taustateorioiden integrointi kattavalla mutta kompaktilla tavalla, joka sallii sekä asiakasarvon että arvolupausten käsitteellistämisen samoin arvoulottuvuuksin. Väitöskirjassa myös kehitetään mittaristoja ja malleja arvon mittaamiseen ja profilointiin neljästä yllä tunnistetusta näkökulmasta, tavoitteena tuottaa asiakasarvopohjainen filosofia arvon luomiseen ja johtamiseen kaupan alalla.

Avainsanat: Asiakasarvo, Arvolupaus, Asiakaslähtöinen strategia

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PART II

PUBLICATIONS

- Article 1 Rintamäki, T., Kanto, A., Kuusela, H., & Spence, M. T. (2006). Decomposing the Value of Department Store Shopping into Utilitarian, Hedonic and Social Dimensions: Evidence from Finland. *International Journal of Retail & Distribution Management*, 34(1), 6–24.
- Article 2 Rintamäki, T., Kuusela, H., & Mitronen, L. (2007). Identifying Competitive Customer Value Propositions in Retailing. *Managing Service Quality: An International Journal*, 17(6), 621–634.
- Article 3 Rintamäki, T. & Mitronen, L. (2015). Creating Information-based Customer Value with Service Systems in Retailing, in: *Service Systems Science: Translational System Sciences*, Vol. 2 (ed. Kijima, K.). Springer Japan (pp. 145–162).
- Article 4 Rintamäki, T. & Kirves, K. (Submitted). From Perceptions to Propositions. Profiling Customer Value Across Retail Contexts.

PART I
COMPILATION

1 Introduction

1.1 The Transformation of Value Creation in Retailing

Shopping represents a basic form of consumer behavior, and retailers act as a mirror reflecting the multitude of consumer needs and desires. From the marketing perspective, those “mirrors” that have positioned themselves at the correct angle can be thought of as those best prepared to gain competitive advantage. But what determines what the appropriate angle is? With shoppers demanding more attractive shopping experiences and at the same time hunting for the lowest prices online, it is rather easy to lose focus on what really drives customer behavior and on where competitive advantage within the limits of the available resources can be found. Hence, understanding what drives customers’ decisions on what to buy and where is becoming ever more vital. This dissertation takes customer value as the key concept explaining the associated phenomena, in pursuit of understanding of what drives shopper behavior today and what retailers can learn from it if they are to position themselves better in the competitive arenas of retailing. The challenge for retailers and researchers alike often involves the gap between understanding and managing customer value: the insight from customer research seldom resonates well with the management system of the company in question. Hence, the issue of forming a bridge between the customer perceptions and company propositions of value is at the core of this dissertation.

1.1.1 The Increasing Relevance of Customer Value in Explaining Consumer Behavior

Instead of mirrors reflecting shopper needs and wants, some retailers might be better characterized as static portraits illuminating only a narrow view of consumption. In other words, although consumer behavior is the ultimate driver of new developments in retailing, it is not reflected in many retail concepts. This is due to the prevailing rational-decision-oriented way of explaining consumer behavior in general and shopping in particular. In that conceptualization, which has its roots in

cognitive information processing, the consumer's goal is to maximize personal utility; hence, the approach is often labeled as the utilitarian consumption perspective. The utilitarian view of shopping is based on the assumption that customers are rational problem-solvers who process relevant shopping information to select the products that best meet their needs for the price paid (e.g., Bettman, 1979; Holbrook & Hirschman, 1982). Accordingly, those applying a utilitarian perspective have stressed functional, product-centric thinking, and their research has focused on consumer decision processes. The focus in examination of the decision process has been on the instrumental role: shopping is understood as a means to accomplish some predefined end. The act of shopping itself has no value – on the contrary, it represents a cost in time and effort. Therefore, the consumer is seen as a computer-like actor, *Homo economicus*, who seeks to maximize utility for him- or herself, typically measured in money, time, and effort. Hence, the shopping goals and behavior are characterized as instrumental and extrinsic (Babin et al., 1994; Holbrook, 1999; Holbrook & Hirschman, 1982; Rintamäki et al., 2006).

The consumption experience as an end valued for its own sake became a topic of interest among consumer researchers in the early 1980s, when the cognitive information processing perspective was challenged or complemented by the experiential view (Bellenger & Korgaonkar, 1980; Holbrook & Hirschman, 1982; for a review, see also Ponsonby & Boyle, 2004). The experiential view drew attention to “the three ‘F’s”: fantasies, feelings, and fun, which represent the hedonic aspects of consumption (Holbrook & Hirschman, 1982, p. 132). In the words of Holbrook and Hirschman (1982, p. 92), “[h]edonic consumption designates those facets of consumer behavior that relate to the multisensory, fantasy and emotive aspects of one’s experience with products.” This was a clear departure from the earlier mainstream conceptualizations of consumer behavior, which emphasized mechanistic models featuring need-recognition, product-finding and evaluation, and purchase-decision stages, with their respective decision processes, as key elements (e.g., Bettman, 1979). The hedonic consumer is sometimes denoted as *Homo ludens*, a man guided by his senses and wants. To summarize, one could describe the utilitarian and hedonic views of consumption as forming an established categorization of perspectives in economics and behavioral sciences in general (Ahtola, 1985; Batra & Ahtola, 1985; Babin et al., 1994; Holbrook & Hirschman, 1982; Hirschman & Holbrook, 1982).

In addition to utilitarian and hedonic dimensions, a social dimension has been suggested as a key motive for consumer behavior (e.g. Solomon, 1983; Rintamäki et al., 2006). This can be seen in the interest expressed in symbolic aspects of

consumption (Holbrook & Hirschman, 1993; see also Levy, 1959). In fact, Falk and Campbell (1997, pp. 1–2) note that shopping as a research topic is significant because of the central role of shopping as “a cultural phenomenon in contemporary ‘postmodern’ society, where it is identified as a realm of social action, interaction and experience which increasingly structures the everyday practices of urban people.” Besides being social in the sense that time is spent with others while one is shopping, sociologists such as Baudrillard (1968/1981) have seen consumer culture as being a key arena in which shared meanings are negotiated and used, further creating symbolic material for the emergence of new meanings. As Solomon (1983) has pointed out, these socially agreed symbolic meanings embedded in consumption artifacts are not only used in a reactive manner; they may also ignite needs and desires in the minds of consumers and hence be used in a more active way. Hence, the idea of *Homo faber* has been developed to denote a consumer who makes his or her own meanings.

The hedonic and social perspectives on shopping experience call into question the contemporary logic applied for value creation in retailing, which is still driven mainly by the utilitarian paradigm. One of the fundamental claims made in this dissertation is that shopper behavior has shifted away from the utilitarian paradigm more rapidly than the agenda for retail management has. This means that many shoppers shop for recreational and self-expressive purposes while the shopping experience does not fully support these motivations. Similar bias can be found in some retail research: although consumer research has been aware of the “softer” side of shopper motivations for decades, the utilitarian perspective often prevails when it comes to retail management.

1.1.2 Digitalization Redefining the Boundaries of Value Creation

With the emergence of digital developments, the shopping experience is undergoing a major transformation. In an integral part of this transformation, the pre-purchase, purchase, and post-purchase stages are enriched with information-based customer value in contexts that had heretofore been out of retailers’ reach. Digitalization is redefining the boundaries of value creation, because it expands the focus from traditional encounter in the retailer’s physical vicinity to encompass more of the natural customer context. Via digitalization, customers are provided with new types of resources and processes aimed at enhancing customer value creation. For this reason, the “digital revolution” is bringing radical change in the essence of retailing

for many retailers and consumers. In tandem with other key forces behind the retail environment, such as globalization, digitalization can alter the purchase process itself. Through this potential, it is helping to redefine what people shop for, how to shop, and where.

According to a Deloitte study (2015), digital technologies entailing online and mobile devices influence 49 percent of in-store retail sales in the USA, equating to 1.7 trillion dollars (influence of mobile only is 28 percent, and 0.97 trillion dollars, respectively). According to the same study, this digital influence was projected to reach 64 percent by the end of 2015. When using the word “influence,” Deloitte refers to the impact on store traffic, conversion, order size, and loyalty (Deloitte, 2014). Although 93.5 percent of all U.S. retail sales take place in brick-and-mortar stores, digital technologies have a major impact on shoppers’ offline purchasing behavior. The conclusion is that, besides traditional e-commerce wherein digital technology enables online sales strategies, there are new ways to use technology that focus on supporting the customer’s own value creation during the shopping experience (Saarijärvi, Mitronen & Yrjölä, 2014).

This indirect effect of new uses of digital technologies on retail sales can be understood through a contrast to online sales strategy. Pure “e-tailers” such as Amazon.com or Rakuten.com, along with many brick-and-mortar retailers who have gone multi-channel, among them Walmart, use the online channel as a key element in their sales strategy: the aim is the online transaction – i.e., selling products online. Quite typically, the online channel is created as a standalone experience, having few synergies with other channels. Hence, multi-channel e-commerce often results in a rather silo-like experience from the customer’s perspective. More recently, there has been a trend toward channel integration, in which mobile devices often have a key role. Though not always independent sales channels as such, the online and mobile channels have become key sources of information for the pre-purchase stage. In addition, there are wide possibilities for value creation in the purchase and post-purchase stages of shopping (Rintamäki & Mitronen, 2015).

A technology or channel is rarely, if ever, valuable in its own right. The contribution of cross-channel and omni-channel strategies for the purposes of this dissertation lies in the ways in which they have already changed how a considerable number of people shop, and hence how customer value is perceived (Rigby, 2014). This transformation has implications for utilitarian, social, and hedonic approaches to understanding the drivers of shopping behavior. For instance, the perception that one has found the right product may result more from what has happened in digital channels before arrival at the brick-and-mortar store than from what actually

happens in the store. As digital technologies transform the shopping experience, they create opportunities (alongside new requirements) for retailers. Although there are differences by store type, the relevance of digital technologies is there for all retailers: the conversion rate increases 40 percent for those customers who use the digital channel before and during the in-store shopping (Deloitte, 2014).

1.1.3 Competitive Advantage As Increasingly Shaped by Management of Customer Value

It is not just shoppers' behavior and environment that have changed but the rules for succeeding in the retail business too. As Grewal, Levy, and Kumar (2009) note, low prices and innovative products are often not enough to enable retailers to gain competitive advantage in today's competitive arenas. Many engage in "business as usual," though differentiation requires focusing on the customer's shopping experience. Where product innovativeness and low prices have become points of parity, this does not mean that they are of little importance; on the contrary, these have become expected and the norm (Anderson et al., 2006). From the retailer perspective, understanding the drivers of shopper behavior forms the basis for positioning and for gaining competitive advantage (Rintamäki et al., 2007). In 1972, Tauber had already suggested retailers positioning of themselves as a part of the entertainment industry. He saw that people dedicated their free time to shopping because it served to speak to personal, recreational, and social motivations (see also Bloch et al., 1994). However, it would be almost three decades before these differences in shopper valuations were found to be effective tools also from the company perspective (Ponsonby and Boyle, 2004). The new focus calls for understanding not only the utilitarian but also the social and hedonic drivers of shopper behavior in an environment wherein typically more than one channel is used during a shopping experience. This crossroads of understanding what drives shopping and how shoppers use various channels (offline, online, and mobile) across temporal stages (pre-purchase, purchase, and post-purchase) is where retailers' opportunity to create customer value and hence attain competitive advantage can be found.

No retailer can address all customer needs and desires, or master them in all channels throughout the shopping experience. To succeed, retailers have to make decisions that address what kind of value they want to create for their customers at a level that is superior to competitors'. Moreover, they must find ways to execute

their value creation recognizably across channel boundaries. Hence, customer value propositions (Anderson et al., 2006; Rintamäki et al., 2007) have become ever more important vehicles for differentiation and strategic goal-setting. Identifying a customer value proposition that is both competitive and actualizable is the first step, and managing it on the basis of measurable results is the next.

1.2 The Research Gap

Customer value is a widely researched topic, also in the field of retailing. Perhaps the most common criticism of customer value research is that there are neither clear definitions of the concepts nor reliable measurement scales, on account of the polysemy of the phenomenon itself (e.g., Gallarza et al., 2011). The polysemic nature of customer value manifests itself in many ways, such as the level of abstraction, structural scope, and contextual influence. “Level of abstraction” refers to the locus of value: is it in the attributes that are perceived, such as the variety of merchandize and the cleanliness of the store, or is it in the outcomes of shopping, such as the time and effort saved? As will be shown in the literature review, some researchers have also focused on the criteria that customers apply while engaged in evaluative processes to determine value. The structural issues pertain to conceptual modeling: how the conceptual elements are tied together and how their relationships are specified. The notion of contextual influence suggests that conceptualizations of customer value vary when, for instance, one compares studies in the retail environment to research in the hospitality industry. Although the aforementioned issues are worth pondering when one is crafting any research setting with a focus on the topic of customer value, digging more deeply reveals some conceptual and methodological challenges that together suggest a gap in the existing research (see Figure 1).

The first challenge stems from the rich theoretical background and is hence a conceptual one. It results from the abundance of streams of literature and disciplines that have been used for giving substance to the notion of customer value. As has been noted above, the utilitarian, social, and hedonic perspectives on consumption are rooted in different disciplines (e.g., economics, sociology, and psychology) and lead to differences in emphasis on the various sub-concepts of customer value. Consider the ideas of Woodall (2003), for instance, who recognized 19 types of “contingent value for [the] customer” and 18 classes of the “nature of the derived value for [the] customer.” The former describe the circumstances under which value

might occur: acquisition value, desired value, expected value, and so forth. The latter encompass the dimensions that characterize the essence of value, such as aesthetic value, emotional value, and material value. Besides the sheer number of theoretical dimensions, their potential overlap makes it necessary to find balance between a rich understanding of the phenomenon and a manageable, robust set of concepts capturing customer value – both for theoretical conceptualizations and for empirical modeling.

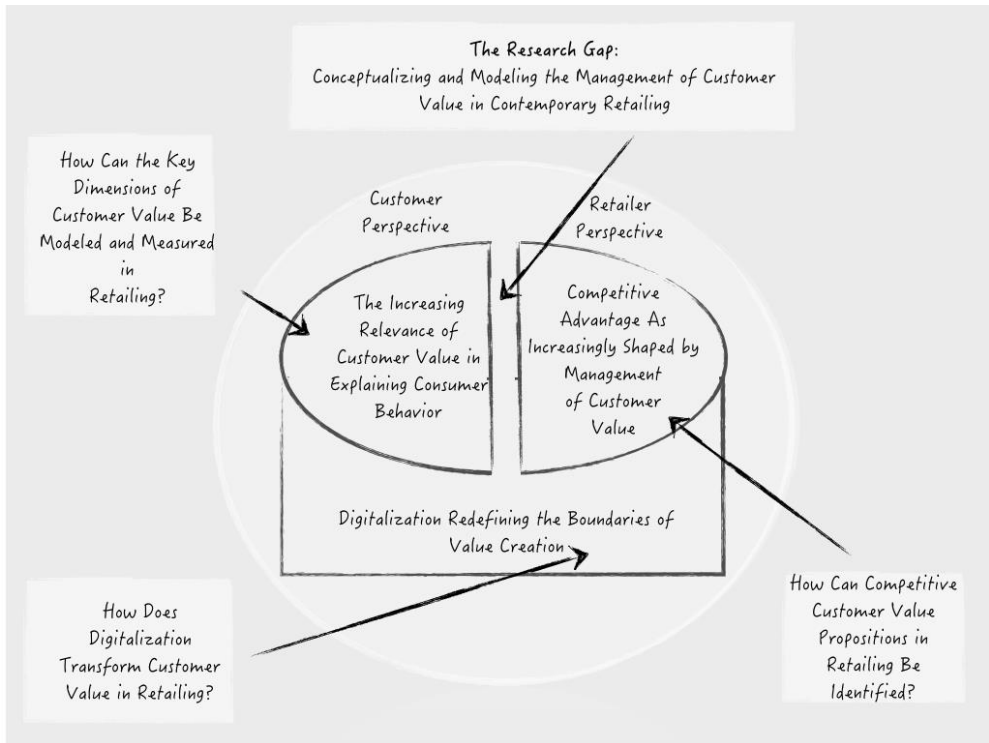


Figure 1. The research gap

The second challenge reveals itself when two sides of the same phenomenon – the perception and proposal of value – are considered. Research on retailers’ value propositions is much scarcer than writings on customer (perceived) value, and what work there is tends to emphasize rather concrete aspects of the retail offering, such as price and differentiation based on the quality, breadth, and scope of the merchandize offering or atmosphere (Murray, 2013). If the key role of value propositions to the customer is in positioning based on perceived value, it would intuitively

make sense to use the same dimensions for assessing the value on both sides. This calls for conceptual as well as empirical research for bridging the perspectives.

The third challenge arises from the new digital environment described earlier. Traditional brick-and-mortar shopping is complemented by online and mobile channels. Although these are often considered contextual elements, it seems that they have also introduced new logics for value creation – from both the customer and the retailer perspective. Accordingly, they deserve to be acknowledged in customer value research as well.

1.3 The Purpose of the Research

Given the three fundamental transformations in retailing, the purpose of this article-based dissertation is to conceptualize and model the management of customer value in retailing. Hence, the research questions are expressed thus:

1. How can the key dimensions of customer value be modeled and measured in retailing?
2. How can competitive customer value propositions in retailing be identified?
3. How does digitalization transform customer value in retailing?

The first question involves value from the retail customer's (i.e., shopper's) perspective. Our attempt to answer it builds on the vast literature on customer value, aiming to conceptualize value's key dimensions in the context of retailing. The "key dimension" notion is understood here as a conceptualization that is broad enough to capture the variety of retail contexts yet narrow enough for operationalization in a robust research instrument – i.e., via a measurement scale. An established way to validate customer value is to model it with other important outcomes. The most fundamental of these shopping outcomes is satisfaction (Oliver, 1999). If shopping does not result in satisfaction, it is difficult to understand how it could have created customer value either, as is later argued in this dissertation. Hence, the attempt to address the first question is concretized in a) conceptualizing customer value, b) operationalizing it in a measurement scale, and c) choosing a method and providing empirical evidence for the concepts chosen and the relationships of them posited.

The work on the second question examines the key dimensions of customer value but applies the perspective of strategic retail management. Customer value becomes a strategic issue when retailers evaluate their market positioning and seek one that sets them apart from competitors' and resonates with the needs and wants of the

targeted customer groups. Hence, the retailer perspective on customer value has to do with gaining competitive advantage by means of the appropriate logic of customer-oriented value creation. “Customer value proposition” is a key concept for the dissertation, to link the customer and company perspectives to value creation.

The third question involves the role of digitalization in transforming retailing. It is argued in this dissertation that the online and mobile channels have extended the scope of customer value management in retailing. This development has important consequences for how customer value is perceived by shoppers and for how contemporary retailers may expand their traditional role of serving customers by means of relevant information across channels and in the various stages of the shopping experience.

When one considers the management of customer value, it becomes clear that retailing as a context possesses a characteristic that makes it quite different from many other (for example, manufacturing-based) industries. Retailing can be seen as a resource-integration function that entails management of supply and demand, both of which are potentially very heterogeneous (Lusch et al., 2007). On the supply side, retailers take products that have usually been manufactured and branded by others, “curate” them into a differentiated merchandise mix, and add their own service element to create a competitive retail concept. On the demand side, retailers need to think beyond static product categories and understand how to become relevant to the right customers: or market segments, proceeding from customer-related insight that extends across product categories, decision-making contexts, and use situations. Besides finding the right merchandise and price point, retailers’ task necessitates figuring out how to orchestrate the match-making between customer and product, linking the right customer with the right product even as the decision-making seems to be shifting further from their hands with the move more and more towards digital environments. Understanding what creates value, how one can position oneself strategically around a competitive customer value proposition, and how to utilize digitalization for creating customer value are hence ever more crucial for the retailing industry.

1.4 The Positioning of the Study within the Marketing Domain

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for

customers, clients, partners, and society at large (American Marketing Association, 2007).

Value is at the core of marketing. In the current American Marketing Association (AMA) definition, from 2007 and approved by the AMA board in July 2013, value is the central goal and output of marketing (the same is true of the previous definition, from 2004) (for a discussion of the current definition of marketing, see Gundlach & Wilkie, 2009). The AMA's definition suggests marketing as a mechanism for creating customer value, which enables value appropriation for the other stakeholder groups as well. Moreover, several authors have, over the years, offered definitions of marketing that feature value as a key concept (see Table 1). These various definitions of marketing illustrate a multitude of perspectives on what value means. Elaborating on these definitions, we can see differences in the locus of value, in the instances that define and create it, and in those for whom it is targeted and communicated.

Most of these sources acknowledge the customer as the primary entity at which value is targeted. Alongside taking rather dualistic views of marketing as taking place between the company and the customer, many of the definitions consider value from the perspective of other market parties, such as “clients, partners, and society at large” (AMA, 2007). However, there is wide consensus that creating value for the customer forms the starting point and also a precondition for creating value for these other parties (Webster, 2002). This is achieved through management functions (Webster, 1992), or social and economic processes (Vargo & Lusch, 2004). The locus of value extends from the transaction and its objects, such as products, services, and other resources (Kotler, 1972), to relationships (Sheth et al., 1988) and to more holistic exchanges that bring the various parties together (Vargo & Lusch, 2004). While the older definitions of marketing tended to rely more on economics and production-orientation, the more recent ones emphasize the role of interaction and the customer's context (Vargo & Lusch, 2004). Similarly, views of value creation have changed considerably over the years. In the earlier definitions of marketing, the creation of value was seen as mostly based on the company and the product, with the implication that the company determines the value for the customer. Later, the customer's role became increasingly acknowledged as that of evaluator of value, although the company – and the marketing process – was still seen as “defining, developing, and delivering customer value” (Webster, 2002). Recently, what has been labeled “evolving to a new dominant logic in marketing” – i.e., service-dominant logic (Vargo & Lusch, 2004; 2008) – has taken the role of the customer further: to evaluator and co-creator of value (Vargo & Lusch, 2008).

Table 1. Selected definitions of marketing

Author(s)	Definition of marketing
Kotler (1972, p. 48)	"The core concept of marketing is the transaction. A transaction is the exchange of values between two parties. The things-of values need not be limited to goods, services, and money; they include other resources [– such] as time, energy, and feelings. Transactions occur not only between buyers and sellers, and organizations and clients, but also between any two parties"
Sheth et al. (1988, p. 196)	"In our opinion, the main purpose of marketing is to create and distribute values among the market parties through the process of market transactions and market relationships. This concept of creating and distributing value inherently implies that marketing objects, functions, and institutions must create 'win-win' market behavior [...]. It is our belief that we need a theory of marketing that identifies what values are or can be created by marketing, who creates them, and how they are distributed so that all parties benefit from market behavior."
Webster (1992, p. 14)	[Marketing] "is the management function responsible for making sure that every aspect of the business is focused on delivering superior value to customers in the competitive marketplace."
Webster (2002, p. 23)	"The new view of marketing focuses on customers (not products), responsiveness and organizational capabilities (not control), marketing as process (not function), customer value (not the four Ps), relationships (not transactions), networked organizations (not bureaucracies), and multiple buying motives (not simply price)" and "[a] new view of marketing management in the firm must start with the focus on customer value, conceiving [of] marketing management as 'the process of defining, developing, and delivering customer value'."
Kotler et al. (2004, p. 5)	[Marketing is] "a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others."
Vargo & Lusch (2004, p. 5)	"Marketing is a continuous series of social and economic processes that is largely focused on operant resources with which the firm is constantly striving to make better value propositions than its competitors."

From the marketer's perspective (or the business perspective), the single most important element is the economic value – the profit – that is derived from the customer patronage. However, to make a profit and gain competitive advantage, companies must deliver customer value (Gale, 1994; Woodruff and Gardial, 1996). Hence, companies' understanding of customers' needs and wants takes on critical

importance, because satisfying those needs and desires creates value. From the customer's perspective, economic value is only one dimension.

In marketing science, there are three schools of thought that are of special importance for conceptualization and modeling of customer value in retailing¹. The first is the buyer behavior school. Relying heavily on behavioral sciences, it provides a starting point for in-depth understanding of how customers perceive value, what it is that they value, and why.

Distinct streams of literature include work on “customer-perceived value” and on “consumer values and consumer value.” Second is the managerial school, which provides a starting point for customer value management (e.g., the four “P”s). It emphasizes a managerial perspective but recognizes the importance of the needs and wants of customers. In addition, the managerial school speaks to the theme of this dissertation by introducing the idea of customer value management, wherein “creating and delivering superior customer value” represents a key stream of literature. Finally, the social exchange school provides a starting point for understanding the interactive exchange process, in which the value is defined, created, and delivered for and by both parties (Bagozzi, 1975). In addition, newer developments such as service-dominant logic are important, for having explicitly adopted value as a focal concept that brings together the customers and business entities. Thereby, it is also made very clear that the customer is the one who determines what value is and that companies' role is to make value propositions to customers (Vargo & Lusch, 2004; 2008). Moreover, the emphasis on service systems and interactive use of resources between customers and companies aids us in seeing how digitalization changes the value-creation process (Spohrer & Kwan, 2009).

1.5 The Structure of the Dissertation

The dissertation is organized around five chapters. The introductory chapter has described the research context and setting, by presenting the research questions and specifying the theoretical positioning of the study. The theoretical background is expanded upon and further argument presented in the second chapter. This theoretical background is centered on customer value, and two theoretical angles are

¹ For a review of the schools of marketing thought, see Sheth, Gardner, and Garrett's work (1988), and on the streams of literature behind the concept of customer value, see the work of Payne and Holt (2001).

taken, considering foundations for conceptualizing, modeling, and measuring value from the customer’s perspective and, secondly, management of customer value from the retailer’s perspective. These two general foci anchor the literature review.

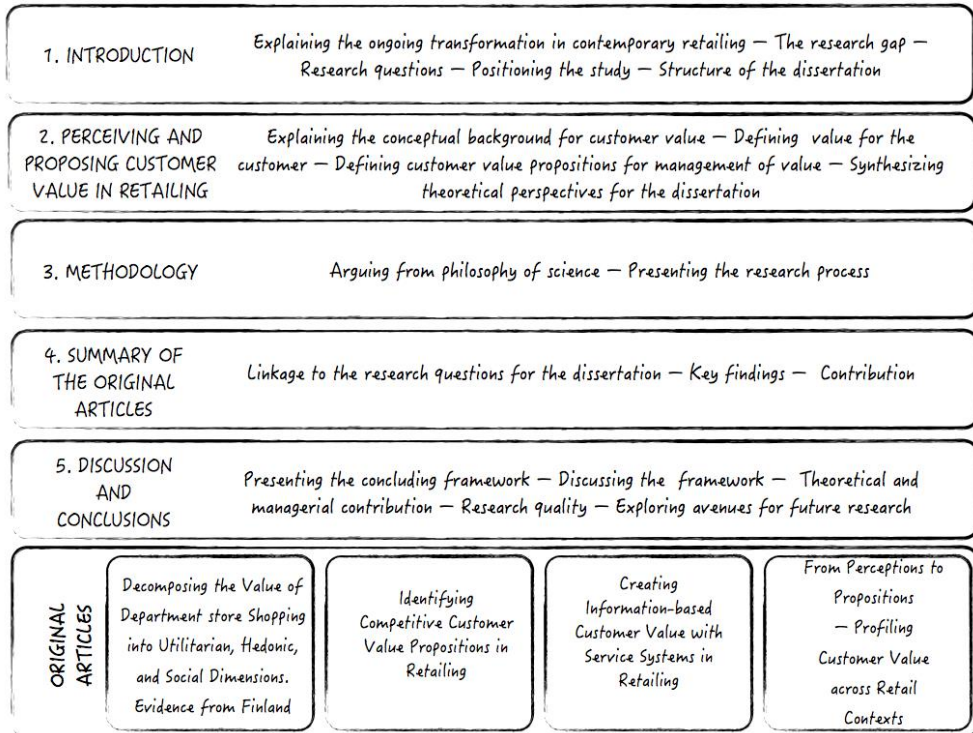


Figure 2. The structure of the thesis

A methodology section, wherein a philosophy-of-science perspective is taken for the reasoning behind the worldview, paradigms, and tools selected, is presented in the third chapter. That chapter also provides description of the research process, with the empirical considerations discussed including the data collection and the methods used. Then, the fourth chapter reviews the key results presented in the four articles prepared in the dissertation project. These results are further discussed in the fifth chapter and summarized, alongside the theoretical framework developed for examination of the management of customer value in retailing. The final chapter also presents theoretical contributions, managerial implications, and avenues for future research.

2 Perception and Propositions of Customer Value in Retailing

For the purposes of this dissertation, examining the interplay of customer value (i.e., understanding, measurement, and modeling of what customers value) with customer value propositions (i.e., positioning based on suitable value-creation strategy) forms the core of the research agenda. Although each of these concepts has been addressed rather well, research bridging the gap from the conceptualization and empirical measurement of customer value to the conceptualization and management of customer value propositions is considered to be a useful and new contribution.

This interplay surrounding customer value should not be confused with the concept of value co-creation, which has to do with the resource exchange and interaction between market parties (e.g., Vargo et al., 2008; Carù & Cova, 2007). While some researchers (such as Andreu et al., 2010) investigate how customers and retailers may take value co-creator and facilitator roles and find joint interactive processes for enhancing the co-creation of value, this dissertation focuses on managing customer value in retail in light of the key dimensions of value for customers and for retailers; co-creation is rarely what customers seek *per se*. Clearly, however, co-creation may be a worthwhile tool for value creation, and it is addressed later in this work, in the discussion of more operationally oriented issues influencing customer value.

With the customer perspective as the first perspective to consider, “consumer values and consumer value” and “customer perceived value” are key sources that can inform our understanding of customer value in retailing. The stream of literature dealing with consumer values and consumer value relies heavily on psychology, especially on research into personal values (e.g., Rokeach, 1973; Gutman, 1982; Kahle, 1983), which has been applied in the consumption context for understanding buying behavior and decision-making. Similarly, concepts from sociology have been important for developing greater understanding of how the personal values are complemented with norms and ideals that are determined by others (Hutcheon, 1972; Belk, 1988). Holbrook (1994; 1999) developed the conceptualization of consumer value further and drew a clear distinction between values (plural), here referring to personal values and ideals that act as criteria in consumption-related

evaluations, and value (singular), which represents the outcomes of those evaluations. The literature on customer-perceived value focuses on the latter aspect – namely, value as an outcome. It also emphasizes that the concept is not limited to consumers but brings in the business-to-business (B2B) context as well. It is given greater focus in examination of relationships between benefits and sacrifices (e.g., Anderson & Narus, 2004), including analysis of means–end-chain applications for modeling the formation and perception of customer value (e.g., Woodruff, 1997). Here, the emphasis has been on the attributes that are perceived as either positive or negative, depending on the customer’s goals and purposes at the point of decision-making or in the use situation. The evaluations of attribute bundles hence leads to benefits and/or sacrifices and eventually to perceived value. In reality, the difference between these two key streams of research into customer-based value is not clear. For instance, Gutman (1982) and Zeithaml (1982), who are considered to represent the consumer values and consumer value tradition, used means–end-chain reasoning and hence defined value as an output in ways very similar to those found in the literature on customer-perceived value. Furthermore, Holbrook, a pioneering author in the field, at first gave his research the “customer value” label, but he situates his more recent book (Holbrook, 1999) in the “consumer value” category. All in all, the relationship between these two bodies of literature is best considered as a continuum, with the customer-perceived value tradition the more recently explored endpoint. Importantly, much of the research conducted in the past decade has actually been written simply under the heading “customer value,” mixing the two traditions.

The second perspective on customer value is oriented to how retailers can manage customer value. In this connection too, the phrase “managing customer value” can be found to mean different things in the literature: assessing customers’ value from the company’s perspective and enhancing the value perceived by customers. Although these two meanings appear contradictory at first sight, there is much common ground with respect to the role and strategic stance of the marketing discipline, specifically in the emphasis on customer-oriented thinking instead of product-orientation.

The former approach (involving customers’ value from the company’s perspective) has been crystallized by Gupta and colleagues (2004, p. 7), who “define the value of a customer as the expected sum of discounted future earnings,” and Verhoef, van Doorn, and Dorotic (2007, p. 52), who describe customer value management as “the optimization of the value of a company’s customer base.” Kumar, Lemon and Parasuraman (2006) recognize three types of challenges in management of customer value: strategic, modeling and metrics, and implementation of customer relationship management (CRM).

The strategic challenges are related to managing customers across multiple channels, achieving customer-centricity, and managing company value from the standpoint of customers rather than brands (the distinction is between brand equity and customer equity). These challenges can be summarized as the task of adopting more outside-in than inside-out goals within one's strategy.

The second group of challenges is related to modeling and metrics. The key concept here is customer lifetime value (CLV), which represents "the present value of all future profits obtained from the customer over his or her life of relationship with a firm," in the words of Gupta et al. (2006, p. 141). While modeling of CLV depends on the company and context, the process, according to these authors, usually entails considering the price paid by the customer minus the direct costs of serving that customer at a given time. The resulting estimate of profitability from this customer interaction is adjusted for the probability of repeat buying and then divided by $1 +$ the discount rate or the capital-cost factor for the firm. The CLV is obtained by considering each of these interaction-specific values over the time horizon set for the estimation and deducting the acquisition costs. The company's customer equity is the sum of all customer-specific CLV values. In addition to the issues of determining all of the component factors, the challenges associated with CLV models and metrics include linking CLV to shareholder value and developing metrics that are forward-looking – i.e., predictive – rather than retrospective (Kumar et al., 2006).

The third set of challenges involves implementing CRM strategies and global application of them. This points to CRM as at the core of analytics tools forming the foundation for implementing customer value management. According to Verhoef et al. (2007, p. 52), "customer value management is a learning system, in which customer strategies can be constantly improved based on continuous evaluations of prior customer strategies." Verhoef and colleagues refer to three options for increasing the value of a company's customer base: attracting new customers, increasing customer retention, and creating customer expansion. Hence, the design architecture of good CRM inherently takes these requirements into consideration and delivers suitable data on CLV and analysis tools for predictively managing customer value.

For the purposes of this dissertation, the customer lifetime perspective to value is an important reminder that creating value for the customer must also result in value being captured from the company's viewpoint. Managing customer value also helps companies to improve their resource-allocation efforts, since it assists them in seeing which customers and segments are the most profitable, and how they should be served (Kumar et al. 2006).

However, the focus of this dissertation is primarily on the latter definition of customer value management, with the aim of increasing the value created for the customer. The literature on creating and delivering superior customer value covers a broad spectrum of strategic thinking surrounding customer- and market-orientation (e.g., Day, 1990; Slater & Narver, 1994). Perhaps the most important contribution of this stream of literature has been the argumentation on creating customer value and gaining competitive advantage (Gale, 1994). The reasoning has been supported by the claim that customer value leads to satisfaction, which again has a positive effect on behavioral intentions such as that of repeated purchases (“repatronage”) and of word of mouth (WOM). Hence, the literature on creating and delivering superior customer value provides an essential link between customer value and firm performance from the standpoint of the claims made in this dissertation. Further, this stream of research addresses the concept of customer value propositions (Anderson & Narus, 2004; Payne & Frow, 2014a; 2014b). Representing a strategically oriented view with strong implications for operational retail management, work on customer value propositions applies an understanding of what creates value for customers and puts it to use for analysis and determination of market positionings. To have strategic relevance, customer value propositions must differentiate the retailer from competitors. In addition, the retailer must be better equipped to deliver the proposed value; otherwise, the strategy is neither convincing nor effective. When carefully designed, however, a customer value proposition forms the cornerstone of customer value management and customer-oriented retail strategy.

2.1 Defining Customer Value

There is no Darwin, no Newton, no Lavoisier of value (Hartmann, 1968, p. 9)

Most publications on customer value begin by highlighting the concept’s academic and managerial relevancy for understanding what customers want (e.g., Holbrook, 1999; Sheth et al., 1991; Zeithaml, 1988) and how this understanding translates to company success (e.g., Slater, 1997; Webster, 1994b). Many of them also remind the reader of the abundance of definitions and the many resultant formulations of value. The tone is negative here, because the lack of agreement on definition of the concepts leads to the metrics and models for customer value not being mutually comparable. Sánchez-Fernández and Iniesta-Bonillo (2007, p. 428) summarize the issue:

Despite this wide interest, the concept of “value” has not often been clearly defined in studies of the subject; indeed, according to Khalifa (2004) the concept has become one of the overused and misused concepts in the social sciences in general and in the management literature in particular. Various definitions of “perceived value” have been offered in the marketing literature, including those of Holbrook (1999), Woodruff (1997), and Zeithaml (1988). Of these, one of the more commonly cited definitions is that supplied by Zeithaml (1988: 14), who defined “value” as “... the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given”. This view posits “perceived value” as a uni-dimensional construct that can be measured simply by asking respondents to rate value that they received in making their purchases. However, other authors have suggested that this conceptualization of “value” (as simply a tradeoff between benefit and sacrifice) represents a narrow approach to the concept; these authors have argued that “perceived value” is a multi-dimensional construct in which a variety of notions (such as perceived price, quality, benefits, and sacrifice) are all embedded (Babin et al., 1994; Holbrook, 1994, 1999; Mathwick et al., 2001, 2002; Sinha and DeSarbo, 1998; Sweeney and Soutar, 2001).

The multiplicity of concepts may pose challenges, especially when empirical modeling is taking place, but it does not mean that all definitions of customer value are contradictory. Often, they differ simply because they address different aspects of customer value (and, in consequence, not all of them are even intended to be overarching definitions). Accordingly, three categories of definitions of customer value can be identified: those addressing 1) the structure of customer value, 2) the dimensions of customer value, and 3) the contextual and processual nature of customer value. Based on these three categories, in this dissertation a synthesis is presented that can be used both for a general definition of customer value and in creation of a framework for practitioner management of customer value.

2.1.1 The Structure of Customer Value

The structure of customer value determines the key elements of value and their relationships (Zeithaml, 1988; Woodruff, 1997). Having conducted a literature review, Khalifa (2004) recognizes three complementing ways to model the structure of customer value: “value components models”, “benefit/cost ratio models”, and “means–ends models.” Means–end models of customer value represent the widest framework that can bring the models together.

Value components models are the most straightforward way to define value. They identify the key attributes, or “satisfiers” and “dissatisfiers”, of an offering that contribute to value (Khalifa, 2004). An attribute is a characteristic of the object being evaluated. Convenience, for instance, is not an attribute but a result of an evaluation of several attributes, such as variety of merchandise, store layout, and the helpfulness of personal service, that enhance the access, search, possession, and transactions related to shopping (Seiders et al., 2000). However, some individual attributes can become value-drivers that will set the brand apart and serve as a new benchmark for the industry, such as Apple’s touchscreen design for iPods and iPhones.

As the name implies, benefit/cost ratio models presume that value is defined through perceptions of benefits and sacrifices (Khalifa, 2004). When benefits are greater than sacrifices, customer value is perceived (Butz & Goodstein, 1997; Zeithaml, 1988; Anderson & Narus, 2004). Benefits and sacrifices are positive and negative evaluations of attribute performances, respectively (Woodruff, 1997). Benefits refer to the “get” component of customer value, whereas sacrifices, such as monetary costs or physical effort, refer to the “give” component (Zeithaml, 1988; see also Teas & Agarwal, 2000).

According to means–end models of customer value, customers pursue relevant goals and purposes through consumption of products and services (Zeithaml, 1988; Woodruff, 1997). In this endeavour, customers search for consumption outcomes, i.e. increasing benefits and decreasing sacrifices, that serve their predefined ends – a key idea in goal-directed consumer behavior. Even in the absence of conscious search, the role of customer’s goals and purposes may act as criteria for interpreting the attributes encountered. Consider Woodruff’s definition:

Customer value is a customer’s perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer’s goals and purposes in use situations (Woodruff, 1997, p. 142)

Means–end models link these three levels – attributes, consequences, and goals and purposes – in the evaluation of use situations (see also Vriens & Hofstede, 2000). Attributes may be concrete or abstract; consequences can be functional or psychosocial, and the highest level can be described as that of instrumental and terminal values (Reynolds & Olson, 2001, p. 313). At the most abstract level, consumers’ personal values underlie the evaluation (e.g., Rokeach, 1973; Kahle, 1983). Relying on Munson and McIntyre’s (1978) work, Pitts and Woodside (1991, 91) have defined personal values as follows:

Personal values are those closely held abstract beliefs central to the individual's belief system. Commonly conceptualized as hierarchical groups of beliefs about end-states of existence or modes of behavior (Rokeach, 1973), values are thought to underlie a large and important part of human cognition and behavior. Personal values and the individual's value system have long been accepted as having a major influence on human behavior (Parsons and Shils, 1951; Vernon and Allport, 1931). Values are "...a standard of criterion for guiding action" and for "maintaining attitudes toward relevant objects and situations (Rokeach, 1969)." As the "...most fundamental element of the consumer's cognitive world, "values structure perception of one's self, of others, and of the objects..." embodied within [...] psychological reality. (Munson & McIntyre, 1978, p. 166).

To summarize the structure of customer value, one can characterize it as a hierarchy wherein perceived attributes and/or their combinations are judged as benefits and/or sacrifices that derive their meaning, relevancy, and importance from the customer's consumption goals. At attribute level, customer value is perceived on the basis of both concrete and abstract attributes. This means that perception of value is entirely context-dependent. In the case of retailing, shoppers encounter attributes related to, for instance, products, shop layout and decor, the service available, and the overall image of the retail store or chain. If one is to measure customer value at the attribute level, the attributes that are perceived during shopping must be identified and conceptualized (see, for instance, Turley & Milliman, 2000, for a framework and review of existing research on store atmosphere, and Babin & Attaway, 2000, for an empirical study).

One challenge facing attempts to understand and measure attributes is that an individual attribute can result in various benefits and sacrifices and hence to multiple dimensions of value. For instance, an electronics store carrying twice as many brands of smartphone as a competitor does may be perceived as a convenient place to shop because the customer is able to perform brand comparisons in a single store visit or, alternatively, seen as a place where extra effort is needed for the buying decision on account of "too wide a selection." For some customers, the wider selection might contribute to enjoyment of exploring various smartphones, while for others it results in cognitive sacrifice via increased decision-related stress.

Understanding and measuring customer value at the consequence level has to do with asking what the product or service does for/to the customer (in contrast to assessing the properties of the object as in the case of attributes). To illustrate, Sweeney et al. (2001, p. 212) use items such as "would help me to feel acceptable," "would improve the way I am perceived," "would make [a] good impression on other

people,” and “would give its owner [...] social approval” to measure social value. There is an issue in where to draw the line when defining value dimensions and benefits/sacrifices, because both are, from the definitional perspective, outcomes of evaluations.

The criteria for evaluating attribute and outcome level perceptions, i.e. benefits and sacrifices, is derived from the level of customer goals and purposes and from their links to contextual use situations. Goals and purposes can also be conceptualized with terminal and instrumental values: terminal values refers to more stable characteristics of consumers, whereas instrumental values are more situational, context-specific, and goal-like (Rokeach, 1968; Reynolds & Olson, 2001). Although understanding the distinct levels of goals and their linkages is important, their thorough conceptualization and measurement in a single study is often challenging. In all research, whether qualitative or quantitative, customer value can be approached from the performance and/or importance perspective. The performance-based approach is concerned with what kinds of attributes, benefits and sacrifices, or value dimensions the customer perceives when encountering products and services, and to what extent. The importance-based approach addresses the question of how important these are in specific contexts.

2.1.2 Dimensions of Customer Value

The variety of definitions grows still further when we move to the dimensions of customer value. Sánchez-Fernández and Iniesta-Bonillo (2007) classify research exploring perceived value into works applying unidimensional vs. multidimensional definitions. In their view, unidimensional definitions of customer value are “essentially conceived with a utilitarian perspective, whereby economic and cognitive reasoning is used to assess the relevant benefits and costs” and hence include price-based studies they label “Monroe’s proposition” and means–end models that they refer to as “Zeithaml’s approach” (p. 431). The so-called unidimensionality often points to the conceptualization of value as the output of the evaluation of benefits and sacrifices, as, for instance, a tradeoff between quality and price.

Multidimensional models, on the other hand, are a more recent development and are more commonly used when the focus of the study is purely on customer value. They feature various types of value, including emotionally defined ones, and can be divided into five categories: studies exploring the customer value hierarchy, research into utilitarian and hedonic value, axiology, consumption-values theory, and work

applying Holbrook's typology of consumer value (Sánchez-Fernández & Iniesta-Bonillo, 2007, p. 435). In customer value hierarchy models, perceived value is based on attributes, consequences, and goals, which, rather than dimensions, can be understood as the generic building blocks reflecting the structure of customer value. Works on utilitarian and hedonic value proceed from the classical division between things that are done because they are instrumental for some other (usually rational) end and things that are done for their own sake (usually because they are emotionally rewarding) (Holbrook & Hirschman, 1982; Batra & Ahtola, 1991).

The three remaining categories can be understood here as a continuums of further exploration of utilitarian and hedonic dimensions of value. Axiology, or value theory, uses concepts derived from philosophy, with practical, emotional, and systemic value among them (Hartmann, 1968; see also Frondizi, 1971); consumption values theory (e.g., Sheth et al., 1991) entails categorization that identifies dimensions of value ranging from utilitarian to hedonic in the consumer research context; and Holbrook's (1999) typology of value represents the widest and most in-depth treatment.

Sheth et al. (1991) defined five independent types of consumption value "explaining why consumers choose to buy or not to buy (or use or not to use) a specific product, why consumers choose one product type over another, and why consumers choose one brand over another" (p. 159). They define functional value as "the perceived utility acquired from an alternative's capacity for functional, utilitarian, or physical performance" (p. 160), social value as "the perceived utility acquired from an alternative's association with one or more specific social groups" (p. 161), emotional value as "the perceived utility acquired from an alternative's capacity to arouse feelings or affective states" (p. 161), epistemic value as the "perceived utility acquired from an alternative's capacity to arouse curiosity, provide novelty, and/or satisfy a desire for knowledge" (p. 162), and conditional value as the "perceived utility acquired from an alternative as the result of the specific situation or set of circumstances facing the choice maker" (p. 162).

Holbrook (1994; 1996; 1999) provides a typology of customer/consumer value, wherein three dimensions contribute to value: extrinsic–intrinsic, active–reactive, and self-oriented–other-oriented. The resulting typology features eight types of value: efficiency, excellence, status, esteem, play, aesthetics, ethics, and spirituality (Holbrook, 1999). The first four of these lie largely on the instrumental–extrinsic dimension whereas the last four are intrinsically and self-purposefully oriented. This division has been defined also as utilitarian vs. hedonic (or experiential), in consumer research (Holbrook & Hirschman, 1982; Hirschman & Holbrook, 1982). On the

other two dimensions, active (efficiency, play, status, ethics) to reactive (excellence, aesthetics, esteem, spirituality) and self-oriented (efficiency, play, excellence, and aesthetics) to other-oriented (status, ethics, esteem, spirituality), the value is experienced as a result of the consumer being active or not and with the object of the happening being the consumer or some other entity (even an imagined version of the self).

A more recent contribution is provided by Smith and Colgate (2007), who conceptualized customer value along four dimensions: functional/instrumental value, experiential/hedonic value, symbolic/expressive value, and sacrifice value. They define functional/instrumental value as “concerned with the extent to which a product (good or a service) has desired characteristics, is useful, or performs a desired function” (p. 10), experiential/hedonic value as being “concerned with the extent to which a product creates appropriate experiences, feelings and emotions for the customer” (p. 10), and symbolic/expressive value as to do with “the extent to which customers attach or associate psychological meaning to [or with] a product” (p. 10). Sacrifice value involves monetary and non-monetary costs and risks (i.e. time, effort, or psychological) that may be related to purchase, ownership, and use of products (Smith & Colgate, 2007).

Sheth and colleagues (1991), Holbrook (1999), and Smith and Colgate (2007) provide conceptual examples of dimensions or types of customer value that are applicable to diverse consumption-related contexts. Empirical treatments of the dimensions of customer value adopted in a retailing and consumer services context represent a growing body of literature, now consisting of hundreds of journal articles. Examples of conceptual and empirical treatments of customer value that are relevant for retailing are presented in Table 2.

Table 2. Selected multidimensional conceptualizations of customer value

Source	Context	Dimensions of customer value
Babin et al. (1994)	Shopping	Utilitarian and hedonic value.
Chandon et al. (2000)	Sales promotions	Benefits of sales promotions reflecting customer value. Utilitarian: monetary savings, quality, and convenience. Hedonic: value expression, exploration, and entertainment.
Mathwick et al. (2001)	Online and catalogue shopping	A hierarchical model of experiential value: 1) aesthetics, reflecting visual appeal and entertainment; 2) playfulness, reflecting escapism and enjoyment; 3) service excellence; and 4) customer return on investment, reflecting efficiency and economic value.
Sweeney et al. (2001)	Consumer durable goods	Emotional dimension, social dimension, quality/performance, and price / value for money.
Baker et al. (2002)	Shopping	Merchandise value perceptions based on social, design, and ambient factors resulting in merchandise quality perceptions, monetary price perceptions, time/effort cost perceptions, and psychic cost perceptions.
Kim (2002)	Mall vs. online shopping	Application of four of the eight dimensions of Holbrook (1999): efficiency (extrinsic, active), excellence (extrinsic, reactive), play (intrinsic, active), and aesthetics (intrinsic, reactive).
Carpenter et al. (2005)	Shopping for retail apparel brands	Utilitarian and hedonic value (contrast against Babin et al., 1994).
Chaudhuri (2006)	Shopping	Merchandise value and differentiation value.
Cottet et al. (2006)	Hypermarkets	Utilitarian and hedonic value linked to store outlets' attribute-based characteristics: atmosphere, services, store employees, product availability, and crowding.

Rintamäki et al. (2006)	Department-store shopping	Decomposing total shopping value into utilitarian value, reflecting monetary savings and convenience; social value, reflecting status and self-esteem; and hedonic value, reflecting entertainment and exploration.
Gentile et al. (2007)	Products	Utilitarian and hedonic value affected by sensory, emotional, cognitive, pragmatic, lifestyle, and relational components.
Keng et al. (2007)	Mall shopping	Experiential value, consisting of efficiency, service excellence, aesthetics, and playfulness (vs. Mathwick et al., 2001).
Rintamäki et al. (2007)	Retailing	Four key dimensions of customer value in retailing: economic, functional, emotional and symbolic value.
Carpenter (2008)	Discount retail	Utilitarian and hedonic value.
Diep & Sweeney (2008)	Shopping	Utilitarian shopping-trip value (store value as utilitarian, product value as performance, and product value as value for money) and hedonic shopping-trip value (store value as emotional, product value as social, and product value as hedonic).
Ming-Sung Cheng et al. (2009)	Online retailing	Functional, social, emotional, and epistemic value.
Jung Choo et al. (2012)	Luxury retailing	Utilitarian value, consisting of excellence and functional values; hedonic value, consisting of aesthetic, pleasure, and experiential values; and symbolic value, reflecting self-expressive and social values.
Kim & Lee (2014)	Multi-channel shopping (mass merchants)	Experiential, monetary/assortment, social, and return value.

Many of the examples in Table 2 rely on positive definitions of value, thereby emphasizing the benefit component of value instead of sacrifices. Some authors tend to label even positively formulated consequences such as monetary savings and convenience as measures of sacrifice dimensions (because they are related to money, time, and effort), whereas others treat these as benefits. From the perspective of customer value dimensions, this would suggest that at least some of the dimensions are actually bipolar. In addition, some dimensions have been used as higher-order concepts that reflect (or, in the case of – rather rare – formative models, constitute) the benefits (and sacrifices). Further, we can also find models wherein “total customer value measure” is modeled at the highest level, suggesting a model that is a hybrid of unidimensional and multidimensional models (see Sánchez-Fernández & Iniesta-Bonillo, 2007). The studies reported upon in Table 2 present metrics that are conceptualized at both attribute and consequence level. However, emphasis on the outcome (i.e., consequence level) has recently gained support, due to its superiority in predicting customer behavior such as satisfaction formation, word of mouth, and repeat patronage (Leroi-Werelds et al., 2014).

2.1.3 The Contextual and Processual Nature of Customer Value

The conceptual *raison d'être* for customer value is twofold: it frames the valued outcomes from the customer's perspective, and it illuminates the dynamics embedded in the evaluation process for those outcomes. This represents the core of consumer behavior in a world wherein there is choice among alternatives – a key notion also from the company differentiation perspective. The structure and dimensions of customer value lay a foundation for understanding this twofold task, but the nature of customer value further aids us in understanding the dynamics of the evaluation process. What, then, is the essence of the nature of customer value – how can it be characterized? Probably the most comprehensive definition is provided by Holbrook (1999), who defines customer value as “an interactive, relativistic preference experience” in nature (1999, p. 5).

Figure 3. The contextual and processual nature of customer value

NATURE OF CUSTOMER VALUE	CONTEXTUAL PERSPECTIVE ON CUSTOMER VALUE	PROCESSUAL PERSPECTIVE ON CUSTOMER VALUE
INTERACTIVE	<i>Perception of value is interactive, between the customer and the offering, and hence bound to the context wherein it takes place</i>	<i>Co-creation of value enables the exchange of resources between customer and retailer over an extended time</i>
RELATIVISTIC	<i>The perception of value is altered by physical, social, and digital contexts, and its creation can be framed in dyads, triads, or complex networks</i>	<i>The perception of customer value may take different forms at different points in time</i>
PREFERENCE	<i>The criteria for assessing what is valued are tied to the contextual layers of being, doing, and having</i>	<i>The criteria for assessing what is valued may change over time</i>
EXPERIENCE	<i>Shopping experience blurring offline, online and mobile channels augments the range of contexts for perceiving value</i>	<i>The pre-purchase, purchase, and post-purchase stages of shopping experience emphasize information-based creation of customer value</i>

Customer value arises in interaction between a subject (a customer) and an object (a product or service) (Holbrook, 1999). This characteristic seems rather trivial at first sight but leads to two important conclusions. Firstly, the perception of value is always interactive: there must be a customer, not just the object of evaluation whose attributes or outcomes are being valued. In other words, value is found not in the product or service but in the ways in which individual customers are able to utilize it. Secondly, not only the perception but also the creation of customer value may be interactive. This theme is addressed in recent literature on co-creation of value (for a review, see Galvagno & Dalli, 2014).

While the conclusion that there must always be the customer and the offering (here, provided by the retailer) if there is to be perceived value is quite straightforward, the roles of the customer and company – and sometimes also other actors, as in customer-to-customer operations – in creating the value may vary considerably. Some authors, especially in the service-dominant logic literature, have abandoned

the idea of value being created by the company and claim instead that value is always co-created by the customer and the company, with companies' role being characterized by the value propositions (Vargo & Lusch, 2008, p. 8). This co-creation of value is defined as resource integration aimed at an exchange that is beneficial for both parties. Actually, Lusch, Vargo, and O'Brien (2007, p. 13) point out that "retailing is best characterized as a service integration function." Another way of conceptualizing co-creation of value involves the idea of supporting customers' work to achieve their goals (Grönroos & Helle, 2010). However, Heinonen and colleagues (2013) go even further and claim, in what they call customer-dominant logic, that the customer is the main creator of value. The common arguments behind value co-creation and customer emphasis are related to service ecosystems, wherein customers actually have several opportunities to accomplish whatever it is that they want to achieve. Here, the role of the company is diminished. Instead of seeing all interactions as co-creation of value, a possibly more critical and constructive approach is to focus on those interactions and exchanges of resources and competencies that are based on predefined mechanisms and that truly enhance the value for both parties (Normann & Ramirez, 1993).

As in most such cases, the customer and company roles in value creation are merely theoretical constructs, with the reality somewhere in between. As Carù and Cova (2007) discuss the customer and company roles in consumption (or, as they label it, consuming experiences), three categories can be identified that also clarify the discussion of value creation. In the first category of relationship, mainly the customer is responsible for constructing the value-creating experience, though company-provided products and services may be involved. In the second category, co-development by the customer and the company takes place. The third category covers situations in which the company orchestrates the experience and the customer is immersed in it. To summarize, Saarijärvi, Kannan & Kuusela (2013) point out three issues that customers and companies have to manage if co-creation of value is to be possible: 1) what kind of value is created, for whom (i.e., the "value"); 2) via what kinds of resources (i.e., the "co-"); and 3) by what sort of mechanism (i.e., the creation).

Customer value is relativistic: it involves preferences among objects, it varies from one person to the next, and it is context-specific – in other words, value is comparative, personal, and situational (Holbrook, 1999). While the comparative and personal factors refer to evaluations that are made subjectively with reference to expectations, attitudes, and experience of similar things, situational elements bring an abundance of context into the evaluation. Belk (1975a; 1975b) is one of the key

authors who called for research on the explanatory power of situation for consumer behavior. He conceptualized and defined situations on the basis of five characteristics: physical surroundings, social surroundings, temporal perspective, task definition, and antecedent states (Belk, 1975b). The first two describe the customer's environments; physical surroundings have to do with the sensory world, and the social surroundings supplement these with social roles and interpersonal interactions. For instance, the atmosphere-related aspects of a store, such as visual cues and the merchandise displayed, along with the behavior of the salespeople, might inform perceptions in the utilitarian or hedonic realm of value, with the result depending on how they are expected to perform (Chebat et al., 2014). The temporal perspective introduces thinking in terms of units such as time of day or season of the year, or reference points in the past, present, and future that are relevant for the evaluation. Task definition entails determining the target of decision and hence has an influence on the criteria employed. For instance, going to a department store to buy a birthday gift most probably results in different criteria than does buying a pair of sneakers. Antecedent states are momentary moods and conditions that people encounter irrespective of personality or their other traits. Being in a good mood vs. being irritated, for instance, may filter one's perceptions and hence lead to very different expectations and interpretations of customer value. Though conceptualized 40 years ago, Belk's (1975b) five categories represent the situational variables of today's retail environments well.

More recently, the implications of the relativistic nature of value have entered discussion in service-dominant logic research, where it is called value-in-context (e.g., Chandler & Vargo, 2011). This conceptualization is intended to frame exchange at the market point by contextualizing it at three levels: those of micro context, within dyads; meso context, within triads; and macro context, in complex networks. In addition, Chandler and Vargo (2011) use a meta-layer of context to characterize how these three levels of context evolve. Although the focus of this dissertation is mainly on the dyadic micro context level, of the customer and the retailer, the management of customer value in complex retail environments is about (service) ecosystems too. Digitalization may have brought value-in-context thinking closer to the individual customer and retailer and also contributed to the roles and substance that feature in Belk's (1975b) five situational variables. Mobile devices expand the role of context from the customer value perspective (Gummerus & Pihlström, 2011). For instance, Larivière (2013) points out how mobile devices and social media have made information and social interactions real-time and transparent across service systems in ways that also have implications for customers' decision-making; digital

technology mediates physical and social surroundings and hence alters their roles. Besides transforming value creation, the new media and technology transform the role of marketing in general (Kumar, 2015).

Customer value is preferential, in that it is the outcome of an evaluative judgment. As Holbrook (1999) shows, value as an outcome differs from values (in the plural) used as standards, rules, criteria, norms, goals, or ideals for the evaluative judgment. Huffman, Ratneshwar, and Mick (2000) use Sartre's expressions "being" and "doing," the notion of "having," and concepts from psychology for further describing the links from the goals underlying customer decision-making to behavior. In their categorization, behavior and decision-making is guided at the "being" level by "life themes and values" and "life projects". On the "doing" level, "current concerns" and "consumption intentions" illustrate the links to evaluative process. The most context-specific of these is the "having" level, where "benefits sought" and "feature preferences" are given the focus. These authors define the relationships between concepts thus: "the goal levels in our model are related by virtue of the fact that, over the long run, we *acquire* possessions to *perform* actions that move as closer to *realizing* our values and ideal selves (cf. Belk 1988)" (p. 20, emphasis in the original). These issues come to the fore when one considers the structure and dimensions of customer value. The strength of the attribute-based models of customer value reviewed above is that when used correctly and possibly in conjunction with consequence-based metrics for customer value, they provide information concerning the concrete value perceptions and may hence be useful from the managerial perspective. Modeling that is based on the outcome level (i.e., consequences), on the other hand, yields more information on those dimensions of customer value that better predict behavior (Leroi-Werelds et al., 2014).

Customer value is a holistic experience (Holbrook, 1999). Again, we can take two approaches to the meaning of experience. One possible departure point is the notion that the utilitarian aspects of shopping experience must be complemented with the more experiential ones, implying an emphasis on the hedonic side of customer value (Holbrook & Hirschman, 1982). Another perspective can be found in the processual dimension of the consumption experience. Woodall (2003, 9–10) uses the term "longitudinal perspective on value" and explains the process thus:

"Desired Value" (Albrecht, 1994a; Oliver, 1999; Woodruff, 1997) and "Ex-ante/pre-purchase position" [...] imply that customers have preconceptions regarding VC whenever they contemplate [a] purchase. "Transaction Value" and "Acquisition Value" (Grewal, Monroe, and Krishnan, 1998; Parasuraman and Grewal, 2000b) plus "Exchange Value" (LaPierre and Deneault, 1997) imply a sense of VC experienced at the point

of trade in real-time, whilst “Delivered Value” (Oliver, 1999; Walters, 1999), “Received Value” (Woodruff, 1997), “Use Value” (LaPierre and Deneault, 1998; Woodruff and Gardial, 1996; Parasuraman and Grewal, 2000b), and “Postpurchase/Performance Value” (Patterson and Spreng, 1997) are suggestive of an ex post condition. Finally, there is “Redemption Value” (Parasuraman and Grewal, 2000b), or value after use/experience or at the point of disposal/sale. Collectively, these imply that there are both temporal and, consequently, cumulative, aspects to VC [value for the customer].

For purposes of this dissertation, customer value perceptions can be summarized as taking place in three stages: pre-purchase, purchase, and post-purchase. The depiction of three stages emphasizes the process characteristics of customer experience. Again, digitalization has an important role: decisions on what to buy and where are often made in the online channel, the mobile channel may be consulted during purchasing of products in brick-and-mortar stores, and the online channel becomes preferred again for post-purchase activities (Rintamäki & Mitronen, 2015). As value as an experience is manifested over time and across channel boundaries, information-based value creation is emphasized: “Information-based value creation systematically refines and combines contextual data on acceptable prices, customized solutions, preferred experiences, and/or personalized meanings to support customers’ pre-purchase, purchase, and/or use processes” (Rintamäki & Mitronen, 2015, p. 151).

2.2 Strategic Management of Value: Customer Value Propositions

A powerful, focused customer value proposition is the keystone of all successful business models (Johnson, 2010, p. 25)

Arguably, understanding what customers value is a starting point for a successful business model and for what Day and Moorman (2010) call outside-in thinking. A company applying outside-in thinking begins its strategy design with the market and then considers how the fit of the company’s products and services to customer needs and wants could be enhanced. These companies rely on and employ deep market insights and focus on achieving, sustaining, and profiting from customer value in a manner that extends throughout the organization and its various functions. This idea manifests itself in several perspectives, in different bodies of literature, on what customer-oriented strategy consists of. For instance, it has been deemed the

cornerstone of customer-oriented strategy for competitive advantage (e.g., Kohli & Jaworski, 1990; Slater & Narver, 1994; Payne & Frow, 2014a; Butz & Goodstein, 1997) and has gained momentum in customer value management (see, for example, Dodds, 1999; Gale, 1994; 2010; Anderson & Narus, 2004). A simple definition of customer value management is provided by Anderson, Kumar, and Narus (2007), who define it simply via two goals: delivering superior value to targeted market segments and getting an equitable return for the value delivered.

2.2.1 Tracing the Origins of Customer Value Proposition Thinking

According to Payne and Frow (2014a), the conceptual origins of the customer value proposition can be traced to 1988, when Lanning and Michaels wrote a staff paper at management consulting firm McKinsey. Their focus was on modeling business as a value-delivery system, of which a value proposition was deemed a key element. Hence, from the very beginning, customer value propositions have been bridging the gap between the customer and company perspectives. Let us summarize this early view (Lanning & Michaels, 1988): the value proposition emphasizes customer-orientation by identifying all business resulting in an experience from the customer's point of view. This approach marks a clear departure from the old product- and production-oriented view, which proceeds from product and process design (creating the product), then moves on to procurement, manufacturing, and service (making the product) and finally to marketing, sales, and distribution processes (selling the product). With the new view, the starting point is in-depth understanding of the value-drivers, selection of target market segments, and concrete definition of the benefits vs. price (choosing the value). In the second stage (providing the value), the foundation for redeeming the value proposition is laid by means of many of the "traditional" functions. These include product but also process design, procurement, manufacturing, distribution, service, and pricing. In the final stage, the sales message, advertising, promotion, and public relations work are employed to ensure that the value proposition is effectively communicated in the target sections of the market (communicating the value to the customer). In simple terms, Lanning and Michaels (1988) reversed the management process and placed customer value behind the steering wheel for company strategy. Further, their original idea of a business as a value-delivery process inherently included positioning the company for competitive advantage in a customer-oriented way.

Some years later, the concept gained more attention in academia, especially in the domain of marketing management. Webster (1994b), for instance, recognized two critical tasks that value propositions perform. Firstly, they become the selling proposition for potential customers, providing the reason to buy the proposer's offering rather than the competing offering(s). Webster saw that, with this role, the value proposition equates to a positioning statement because it answers "who is the target customer?" as well as "what are we selling?" and "why should the customer buy it?" (pp. 106–108). However, a value proposition is not limited to customer communication purposes only. The second critical task Webster described for the value proposition pertains to the communication within the organization. A value proposition becomes a tool for a company's communication to its employees on what drives its customers' satisfaction and for its customer-focused coordination of efforts. Elsewhere, Webster (1994a, p. 25) defines a value proposition thus:

[T]he verbal statement that matches up the firm's distinctive competencies with the needs and preferences of a carefully defined set of potential customers. It's a communication device that links the people in an organization with its customers, concentrating employee efforts and customer expectations on things that the company does best in a system for delivering superior value. The value proposition creates a shared understanding needed to form a long-term relationship that meets the goals of both the company and its customers.

The two definitions (Lanning & Michaels, 1988; Webster, 1994a) of a value proposition lead us to two important conclusions. Firstly, they clearly indicate that positioning is one key functions of the value proposition. In other words, the position statement as a concept is encapsulated within the concept of the value proposition. Secondly, they expand the concept from the positioning literature and toward organizational management literature. While Lanning and Michaels emphasize the role of identifying drivers of customer value before product development and manufacturing processes begin, Webster sees value propositions as a guiding mechanism for strategy implementation. This displays a radical difference from approaches wherein value propositions are seen as slogans or advertising messages prepared after the actual product or service has been created.

2.2.2 Defining Customer Value Propositions

Although there is no overarching definition for “customer value proposition,” many authors agree on two points: any customer value proposition should be developed from the customer’s perspective, and it should have a key strategic role within the organization in pursuit of competitive advantage (e.g., Anderson et al., 2006; Rintamäki et al. 2007; Webster, 1994a).

In their work on the subject of measurement-based strategic planning and implementation, Kaplan and Norton adopted the value proposition concept as a part of their Balanced Scorecard framework. Originally introduced in 1992, the Balanced Scorecard is one of the most widely used measurement-based management systems that bring together multiple perspectives – e.g., the financial, internal business process, learning and growth, and customer. It was in 1996 that they adopted the customer value proposition as one of the central elements in their conceptualization of the customer perspective:

[The c]ustomer’s value propositions represent the attributes that supplying companies provide, through their products and services, to create loyalty and satisfaction in targeted customer segments. The customer value proposition is the key concept for understanding the drivers of core measurements of satisfaction, acquisition, retention and market and account share. (Kaplan & Norton, 1996, p. 61)

Furthermore, they identified three categories of attributes around which value propositions can be organized: product/service attributes, customer relationships, and image and reputation. They also listed eight elements as building blocks of customer value propositions: price, quality, availability, selection, functionality, service, partnership, and brand. More recently, they have adopted Treacy and Wiersema’s (1997) three strategies for making one’s customer value proposition stand out: operational excellence, customer intimacy, and product leadership.

Emphasizing sales strategy in addition to positioning for competitive advantage, Anderson et al. (2006; 2007) suggest that there are three kinds of customer value propositions, termed “all benefits,” “favorable points of difference,” and “resonating focus.” Those in the first category focus on listing the positive features and outcomes of the offering. The favorable points of difference, on the other hand, restrict the amount of positive outcomes by comparing to next best alternative. As Anderson et al. (2006, p. 94) explain, “[p]oints of difference are elements that make the supplier’s offering either superior or inferior to the next best alternative”. The resonating focus entails those outcomes that best enhance the value for the customer in the near

future. In identifying – and sometimes complementing – their customer value propositions, companies may also consider “points of parity” factors, that are defined as “elements with essentially the same performance or functionality as those of the next best alternative” (Anderson et al., 2006, p. 94). According to Anderson, Narus, and Wouters (2014), in non-strategic markets it is essential to find the “justifiers,” expressing those benefits that help the buyer succeed – often rather obvious but neglected issues.

Focusing on establishing competitive advantage through creation of customer value, Rintamäki et al. (2007, p. 624) define a customer value proposition as “an encapsulation of a strategic management decision on what the company believes its customers value the most and what it is able to deliver in a way that gives it competitive advantage.” While customer value is always determined by customers’ subjective perceptions and evaluations of the overall customer experience, the competitive advantage achieved is determined by the company’s use of resources and its capabilities to create a value combination on the dimensions of value that the customer appreciates and that also afford differentiation from the competition. Hence, according to Rintamäki and colleagues (p. 624),

a good customer value proposition should

- a) increase the benefits and/or decrease the sacrifices that the customer perceives as relevant;
- b) build on competencies and resources that the company is able to utilize more effectively than its competitors; and
- c) be recognizably different (unique) from the competition, and
- d) result in competitive advantage.

As is noted in the review of the literature on customer value, Rintamäki and colleagues (2007) have defined the resulting customer value as economic (with a focus on price), functional (with a focus on solutions), emotional (with a focus on customer experience), and/or symbolic (with a focus on meanings).

Johnson (2010, p. 25) defines a customer value proposition as “[a]n offering that helps customers more effectively, reliably, conveniently, or affordably solve an important problem (or satisfy a job-to-be-done) at a given price.” In his terms, an offering can be a product, service, or combination of the two that is made available at an affordable price. While the focus is largely on the purchase stage as a transaction, his view also brings in how the offering is used or maintained. In this view, the fit between the offering and the job to be done has become crucial for

success. Johnson (2010) takes Apple as an example: with both iPods and iPhones, the job to be done, in the music and smartphone industry, respectively, was successfully identified and addressed, and Apple provided a sales-to-service model to get the job done. Johnson (2010, p. 28) also suggested three key metrics for assessing the success of a customer value proposition (CVP): “1. How important the job-to-be-done is to customers, 2) How satisfied customers are with current solutions, 3) How well the new offering gets the job done, relative to the other options.”

As Shiv (2010) shows, customer value propositions’ evolution can be explained in terms of three waves of development, in all of which the role of emotive elements in the CVP has been critical. In the first wave, in the 1980s and even into the 1990s, CVPs were crafted in a combination of two directions: the branding route and the pricing route. The branding route involves seeking to express superior value by introducing both tangible and intangible benefits setting one’s offering apart from the competition, and the pricing route is based on adopting a price-leadership strategy. This led to the following equation for customer value propositions: $CVP = V_b + V_p$, where V_b is the value of benefits and V_p is the value of pricing (Shiv, 2010). The second wave emerged in the late 1990s, when “brand emotion” was explicitly added to the equation: $CVP = E + V_b + V_p$. Brand emotion came to be seen as a key component in the brand inventory and, more importantly, as independent from V_b . The E factor represents how people feel about and see a specific brand as customers buying it, whereas V_b involves how the product has performed, with more functional criteria. In the third wave, brand emotion became recognized as an essential element of the value proposition and one that, in fact, contributes to the interactive effects too, as is illustrated by the following equation: $CVP = E + V_b + V_p + E*(V_b) + E*(V_p)$. In other words, E is not an afterthought; it shapes V_b and V_p through pre-decision distortion processes.

Table 3. Selected works presenting definitions for customer value propositions

Author(s)	Key contribution to the definition of customer value propositions
Lanning & Michaels (1988); see also Lanning (1998)	Customer value determines what kinds of products and services are created and marketed. A customer value proposition is a key idea around which business as a value-delivery system is built.
Webster (1994a)	A value proposition is a tool for positioning the company and for managing employees accordingly, proceeding from a shared understanding of what creates the most value for customers. "The value proposition is the verbal statement that matches up the firm's distinctive competencies with the needs and preferences of a carefully defined set of potential customers. It's a communication device that links the people in an organization with its customers, concentrating employee efforts and customer expectations on things that the company does best in a system for delivering superior value. The value proposition creates a shared understanding needed to form a long-term relationship that meets the goals of both the company and its customers." (p. 25)
Kaplan & Norton (1996)	Customer value propositions can and should be based on measurable value-drivers. Hence, customer value propositions can be utilized in goal-setting and also in strategy implementation.
Anderson et al. (2006)	Customer value propositions are designed for competitive advantage through demonstration of the ability to compete (points of parity) and to excel (points of difference) in the market.
Rintamäki et al. (2007)	"An encapsulation of a strategic management decision on what the company believes its customers value the most and what it is able to deliver in a way that gives it competitive advantage. (p. 624)" Competitive customer value propositions can be identified for their emphasis on economic (focus on price), function-oriented (focus on solutions), emotion-related (focus on customer experience), and symbolic (focus on meanings) dimensions of value, or a combination of these.

Barnes et al. (2009, p. 28)	"[T]he articulation of the measurable value of the experience that an organization or individual will get from an Offering, where Value = Benefits minus Costs, it follows that a value proposition must include the following elements: Capability – what you can do for a customer; Impact – how that will help the customer to succeed; Cost – what the customer must pay for the privilege."
Johnson (2010); see also Johnson et al. (2008)	"An offering that helps customers more effectively, reliably, conveniently, or affordably solve an important problem (or satisfy a job-to-be-done) at a given price. (p. 25)" A customer value proposition implicitly defines the target customer, "the job to be done," and the offering. "The job to be done" refers to solutions to important problems and the ability to satisfy important needs. The offering gets this job done and includes the sales process, use, and maintenance.
Shiv (2010)	A customer value proposition addresses the value of benefits, pricing, and brand emotion. Emotional elements of customer value propositions are more important than had previously been recognized, both for preference-formation and for ensuring consumption decisions that develop customer commitment.
Zomerdijk & Voss (2010)	A customer value proposition in the service context is made up of the value of the experience, the service attributes, and the price.
Murray (2013)	Conceptualization of customer value proposition in the retail context with the ESE model, where environment, selection and engagement are subjected to retail pricing for creating and capturing value.

2.2.3 Summarizing the Role of Customer Value Propositions

All of the authors whose work is presented in Table 3. take understanding the customer as the starting point: delivering superior value propositions to targeted market segments demands in-depth understanding of what customers value. There may be differences in how value is perceived between targeted market segments. In addition to the conceptualization of customer value, crafting a customer value proposition is now essential for management of customer value. A value proposition should be formulated for purposes of standing apart from the competition – a point made by most of the authors as they link value propositions to the company’s positioning strategy.

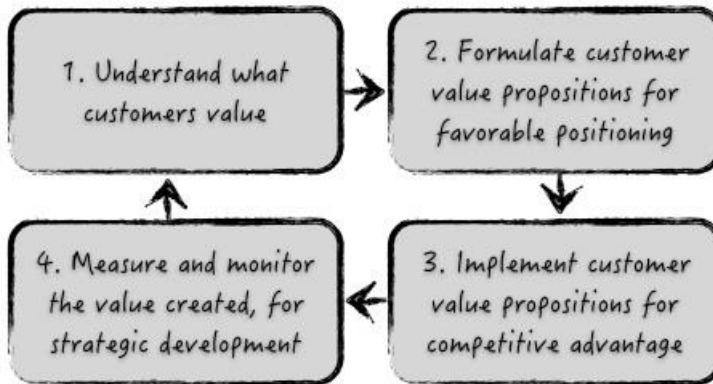


Figure 4. Summarizing and integrating the roles linked to customer value propositions in the literature

Anderson, Kumar, and Narus (2007), for instance, call for documenting and demonstrating customer value for purposes of developing value propositions that are concrete enough to become relevant for the customers. Documentation and demonstration of customer value propositions should also lead to organizational learning and to the development of sales tools and processes as much as development of the offering itself. Finally, value propositions should guide the goal-setting within the relevant organization at the level of measurable sub-goals (Kaplan & Norton, 2004). This enables customer value management that is both future-

oriented and able to monitor and track the success of decisions made earlier. Hence, customer value management in general and customer value propositions in particular represent an important mechanism for organizational learning alongside systematic management based on measurable goals (Woodruff, 1997; Kaplan & Norton, 2004). Figure 4 is an attempt to illustrate these four essential roles assigned to value propositions and the resulting process of managing customer value.

2.3 Synthesizing Theoretical Perspectives for the Dissertation

At the core of this dissertation is the goal of understanding how to conceptualize, model, and measure the key dimensions of customer value that capture the value creation in retailing from both the perspective of customer perceptions and that of the retailer's positioning strategy. The customer perspective on consumer behavior and the retailer perspective to the management of customer value are indeed two sides of the same coin. Martelo Landroquez, Barroso Castro, and Cepeda-Carrión (2013) describe this via three commonly used concepts: value creation (at firm level), customer value perception (at customer level), and value appropriation (within the firm). When considered in the retail context, value creation refers to the ways in which the retailer uses its value-creation capabilities for a differentiated shopping experience. Perceived customer value then describes how the customer evaluates the benefits (and sacrifices) of his or her shopping experience. If the customer's perception matches the retailer's intended value creation (i.e., what is received is perceived as both valuable and different from the competing offerings), the retailer most likely has capabilities of value capture; that is, value creation leads to customer perception of value, which, again, results in value appropriation and ultimately in competitive advantage. Although the concept of customer value propositions is employed in this dissertation to describe the retailer's strivings for competitive advantage via a differentiated value-creation strategy, the concept of value appropriation is not at the focus of the conceptualization or empirical modeling in this work.

To synthesize the theoretical perspectives taken in this dissertation, we need a way of conceptualizing the customer's perceptions of value and retailer propositions of value. Therefore, economic, functional, emotional, and symbolic dimensions of value have been selected for our conceptualization of customer value perceptions and customer value propositions alike (Rintamäki et al., 2007). Theoretical argument and empirical modeling surrounding customer perceptions of value are presented in articles 1 and 4, which thereby answer the first research question. Customer value

propositions are conceptualized in Article 2 and empirically profiled in Article 4; these two pieces tackle the second research question.

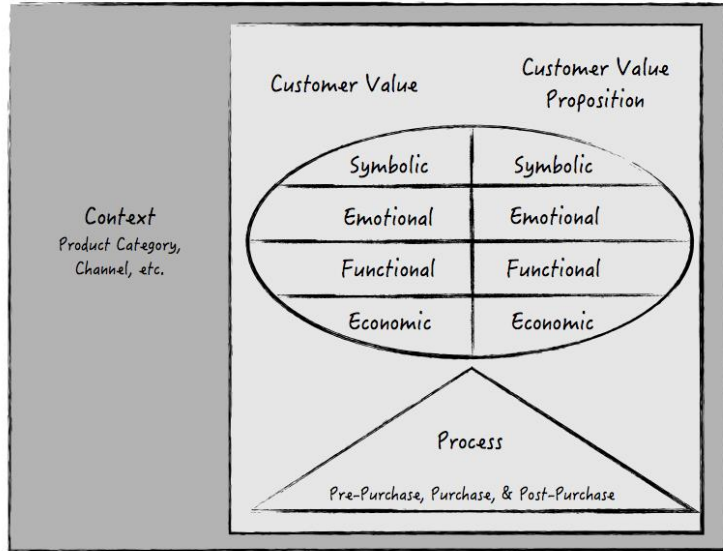


Figure 5. The synthesis of theoretical perspectives for managing customer value in retailing

Digitalization is characteristic of contemporary retailing, and understanding its effects on customer value is part of the research setting of this dissertation. The implications of digitalization for perceiving and proposing customer value – the subject of the third research question – can be understood upon consideration of certain contextual and processual issues. Product category and channel are examples of the contextual variables, whereas the purchase process is conceptualized through the pre-purchase, purchase, and post-purchase stages. Article 3 focuses on these themes, with an emphasis on understanding the implications of offline, online, and mobile contexts for each of these three stages in the purchase process. In addition, Article 4 further illustrates the role of contextual issues in profiling of customer value perceptions and propositions.

3 Methodology

Note that a philosophy encompassing critical pluralism and scientific realism is open, without being anarchistic; it is critical, without being nihilistic; it is tolerant without being relativistic; it is fallible, without being subjectivist; it is absolutist, without being ABSOLUTIST (Hunt, 2002, p. 5 on modern empiricism, which is based on critical pluralism and scientific realism).

Addressing the management of customer value in retailing calls for a research setting that allows empirical investigations from the customer, context, process, and company perspectives. The methodological choices and the empirical stages of the research are discussed next.

3.1 Philosophy of Science

Arndt (1985, p. 13) notes that scientific orientations “refer to the accepted role of the researcher and the objectives of the research.” Specifically, the orientation dictates the relationships among the data, theories, and values of the researcher. Arndt continues by identifying three distinct orientations: empiricism, criticism, and constructivism. Whereas empiricism focuses on testing theory by collecting and analyzing data, and hence on an objective worldview independent of the values of the researcher, criticism begins with the data and constitutes an attempt to steer reality toward the selected values. Taking the values as the starting point and comparing them to theory in order to see whether the reality constructed in the model is consistent with reality characterizes the third category of scientific orientations, constructivism.

Understanding scientific orientation is important because it determines the paradigm. Although the concept of the paradigm is a challenging one, on account of the many definitions it has been given, Arndt (1985) sees a paradigm simply as an alternative reality or worldview. He uses two dimensions when defining it: objective–subjective and harmony–conflict. These two dimensions entail four possible paradigms: a logical empiricist paradigm (objective, harmony), subjective world

paradigm (subjective, harmony), sociopolitical paradigm (objective, conflict), and liberating paradigm (subjective, conflict). The sociopolitical and liberating paradigms share the notion of conflict between market actors as a key source of tension from which the research questions arise.

Lowe et al. (2004) provide an alternative way of mapping the marketing paradigms. They build on Capra's (1997) three criteria: structure, pattern, and process, where structure and pattern represent the classic division derived from Cartesian dualism and hence compete as modes of scientific explanation. Lowe et al. (2004, pp. 1058–1059) explain:

Process is a matter of cognitive invention of reality and pattern involves inventive design of objects. The three criteria are mutually implicated in that each one can only be defined in the context of the other two. An adoption of all three criteria, as equally important, results in an alternative conception of structure that reveals the mechanistic, foundational certainties of Cartesian science as deluded and their analytical methods as contrived. Structure, in Capra's (1997) view, is merely a manifestation of the "process" of embodiment of the "pattern" of organization of a system. As a result, "structure" is not ontologically "real" as such, because it is always a reification of process and pattern.

Structure is somewhat comparable to Cartesian matter. It has to do with substance, material, and quantity. Pattern can be roughly equated to the Cartesian mind, representing the internal relationships, orders, and qualities of the phenomenon. These two criteria are linked by the process, which represents a holistic and systemic perspective on the phenomena. Although all these three criteria are important from the perspective of customer value as well, the key dimensions of value resonate especially with understanding the structure of the phenomenon.

Discussing the concept of value, Hartmann (1968) stresses the importance of differentiating between formal and phenomenological definitions. In his view, the formal definition of value is based purely on logic and can therefore be presented objectively. According to this reasoning, if the relevant concept under certain circumstances is value, but if the specified criteria do not hold, some other concept may apply. This rather black-and-white definition of value is possible because it is based on general laws that apply for all cases in which the focus is on defining value. On the other hand, the phenomenological definition of value is based on empirical criteria. Now, the definition of value gets its substance from how individuals value things. The theoretical conceptualization of customer value applied in this dissertation builds on four dimensions: economic, functional, emotional, and

symbolic value. Within the space delimited by these four dimensions, the conceptual definition can be thought of as representing logic and customer perception of value as grounded in the phenomenon. Hence, the customer and company perspectives on value receive their interpretations from contextual and processual perspectives. A scientific paradigm that allows thinking in terms of objective realities with subjective interpretation is therefore needed for the purposes of this dissertation. Hunt (2002) discusses contemporary, or modern, empiricism, which strives toward truth and objectivity but rejects the idea of reaching some absolute and objective truth. To emphasize the key characteristics of scientific realism that are relevant here, Hunt (2002, p. 5) provides the following list:

- the world exists independently of its being perceived (classical realism)
- the job of science is to develop genuine knowledge about the world, even though such knowledge will never be known with certainty (fallibilistic realism)
- all knowledge claims must be critically evaluated and tested to determine the extent to which they do, or do not, truly represent, correspond, or accord with the world (critical realism); and
- the long-term success of any scientific theory provides reason to believe that something like the entities and structure postulated by that theory actually exists (inductive realism).

According to Hunt (2002), this type of empiricism is based on critical pluralism and scientific realism. In critical pluralism, dogmatism and relativism are characterized as antithetical to science. Hence, there is a need to “adopt a tolerant, open posture toward new theories and methods and [...] subject all such theories and methods to critical scrutiny” (p. 5).

In this dissertation, customer value and its key dimensions is modeled in the context of retailing. Because the literature on this topic is abundant and rather well established, it can be assumed that dimensions of customer value can be found that are generalizable at least in the sense that they proceed from socially shared and recognizable meanings. In Arndt’s (1985) terms, it is possible to strive for objectivity and harmony. Using the corresponding terminology from the work of Lowe et al. (2004), one could say that a research goal can be oriented toward the structure of the phenomenon. This implies that the philosophical perspective adopted in our study is closest to an empiricist worldview and the logical empiricist paradigm – matter and structure remain the focus, not the mind and the pattern.

On the other hand, the basic assumptions stemming from the theory point in the direction of a relativistic constructivist perspective. This is because customer value as a concept and phenomenon is, in its essence, based on subjective interpretation of the outcomes of the consumption – in this case, shopping – experience (Babin et al., 1994; Holbrook, 1999). Perceptions of customer value may differ, depending on the shopper, retail store, and time considered in the investigation. Hence, the question is an ontological one: does some dimension of customer value cease to exist if not every customer perceives it (every time)?

In this dissertation, I adopt the view that the dimensions of customer value in retailing exist rather objectively and can hence be modeled and measured. However, their perception is based on subjective shopping experiences, rendering the evaluation process relativistic. Because the goal here is to conceptualize and model as well as measure customer value rather than to gain deep understanding of the evaluation process itself, an argument can be made for turning to quantitative methods in the search for the right tools. As Arndt (1985, p. 16) reminds us, “in its original, more narrow meaning, *logical empiricism* can be viewed as a methodological approach. As a research technology, the logical empiricist paradigm can be applied also in research operations inspired by other paradigms” (emphasis in the original). This is the case here.

3.2 The Research Process

Guided by the research questions and the ontological and epistemological choices argued for above, the research process was executed in four stages. Figure 6 presents these stages, and Table 4 summarizes the methods used for each of the four articles.

3.2.1 The Stages in the Research Process

In the first stage, the concept of customer value is thoroughly explored from the conceptual perspective. The theoretical domains associated with customer value were perused, and the construct for total shopping value was operationalized by means of utilitarian, social, and hedonic value with six sub-dimensions: monetary savings and convenience for utilitarian value, status and self-esteem for social value, and entertainment and exploration for hedonic value. As the output of the first stage, a questionnaire was designed and used for measuring and modeling shopping value

by means of an in-store survey ($n = 364$) in Finland. This part of the study is documented in Article 1.

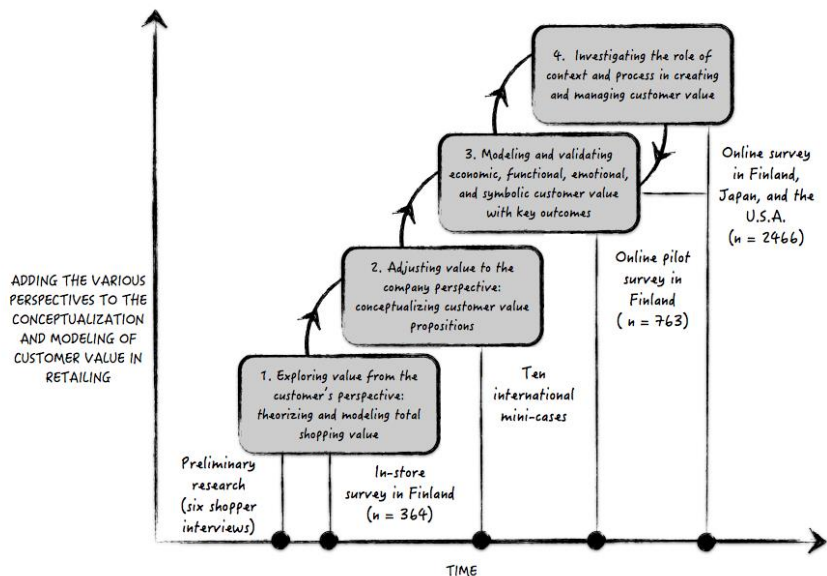


Figure 6. The research process

The second stage moved the focus from the customer perspective to the company perspective. The conceptualization of customer value documented in the first article was reflected upon from the company perspective, with the objective of a new conceptualization that crystallizes customer value propositions. The results showed that the economic, functional, emotional, and symbolic dimensions of customer value capture the essentials for both perspectives. The outcome from the second stage is reported upon in a conceptually oriented article 2 that introduces a framework for identifying customer value propositions on the basis of 10 specific positionings for competitive advantage. Ten corresponding international mini-cases were used in illustration of these customer value propositions.

The third stage was focused on operationalizing the concisely formulated value dimensions that were output in the second stage – economic, functional, emotional, and symbolic – via a new measurement scale. The scale was tested with Finnish pilot data from an online study ($n = 763$), and the validation process was carried out with

a sample gathered online ($n = 2,466$) from three countries: Finland, Japan, and the United States of America. The results are reported upon in the fourth article.

The fourth stage involved further examination and fleshing out of the views on customer and company perspectives, and the focus was on complementing these two perspectives with the contextual and the processual perspective. These perspectives were presented to illustrate the challenges and possibilities for creation and management of value in contemporary retailing, characterized as it is by digitalization and a need for differentiation. The results of this work are covered in the third and fourth articles. The dataset used in the third stage was utilized for stage 4 too.

3.2.2 Summary of the Methods Used

As the output of these four stages, four articles were prepared. The methods used in the research presented in those articles are summarized in Table 4 and explained in more detail in the original articles. The first article is an empirical one titled “Decomposing the Value of Department Store Shopping into Utilitarian, Hedonic and Social Dimensions: Evidence from Finland.” In the preliminary stage of the respective study, qualitative research methods (employing six themed interviews of shoppers) were used in the preliminary stage. Laddering technique as recommended by Woodruff (1997) and Vriens and Hofstede (2000) was utilized to explore the potential dimensions of customer value and their links to the shopping experience in question. The themes and the laddering technique also guided the analysis, which was based on classification of the data in keeping with the proposed framework. The findings from the preliminary interviews supported the framework proposed and enriched the scale-development process, as did findings from earlier research. The primary collection of data was executed with convenience sampling: 364 respondents were selected at a Finnish department store right after the shopping experience. To enable analyzing possible effects of weekend shopping on perceived value, the data collection was carried out over three days: a Thursday, Friday, and Saturday. The data analysis proceeded from structural equation modeling (SEM), with confirmatory factor analysis, in LISREL software. The confirmatory factor model resulted in a hierarchical structure wherein the total shopping value reflected utilitarian, social, and hedonic value, which referred to monetary savings, convenience, status, self-esteem, entertainment, and exploration, respectively.

Table 4. A summary of the methods used for the four articles

Article	Data collection	Main method(s) of analysis
“Decomposing the Value of Department Store Shopping into Utilitarian, Hedonic and Social Dimensions: Evidence from Finland” (Article 1)	Pilot study with six shoppers. Themed interviews with laddering technique. In-store questionnaire with 364 respondents.	Classification of the themes for identifying the dimensions of customer value. Confirmatory factor analysis in LISREL.
“Identifying Customer Value Propositions in Retailing” (Article 2)	Ten international mini-cases (retailer Web sites and other secondary materials).	Conceptual analysis with illustrative mini-case examples.
“Creating Information-based Customer Value with Service Systems in Retailing” (Article 3)	Online survey in Finland ($n = 858$), Japan ($n = 832$), and the USA ($n = 776$), with 2,466 respondents in total.	Conceptual analysis with descriptive statistics.
“From Perceptions to Propositions: Profiling Customer Value across Retail Contexts” (Article 4)	For measurement and modeling of customer value, a pilot study with 763 online respondents from Finland. Main dataset from an online survey in Finland ($n = 858$), Japan ($n = 832$), and the USA ($n = 776$), for 2,466 respondents in all.	Structural equation modeling in Mplus. Analysis of variance (ANOVA) in SPSS.

The second article is titled “Identifying Customer Value Propositions in Retailing.” Though featuring illustrative mini-cases, it is essentially conceptual in nature. These purposefully selected mini-cases are based on secondary materials such as Web pages, company reports, and earlier research, the role of which is to aid in communicating the differences in customer value propositions and the resulting competitive positionings suggested by the proposed framework. Examples or mini-cases of this nature have been found useful for emphasizing the relevant characteristics of the research phenomenon (Nordin & Kowalkowski, 2010).

The third article is titled “Creating Information-based Customer Value with Service Systems in Retailing.” This paper too is largely conceptually oriented, but descriptive statistics are used in illustration of the research phenomenon. For these illustrative purposes, two research scales were developed. The first was designed for measuring the usage of offline, online, and mobile channels during the pre-purchase, purchase, and post-purchase stages of the shopping experience. The second scale is

focused on use of mobile devices that enables information-based value creation. As is described below (in connection with the fourth article), these descriptive statistics are drawn from a dataset obtained from a larger-scale research setting. The data collection was carried out by a professional market-research agency and covered three countries: Finland ($n = 858$), Japan ($n = 832$), and the USA ($n = 776$).

Finally, the fourth article, “From Perceptions to Propositions – Profiling Customer Value across Retail Contexts,” is an empirical piece that uses the same dataset as the third article, described above. However, the focus in Article 4 is on developing scale items for measuring economic, functional, emotional, and symbolic value and modeling these in terms of key outcome variables derived from earlier research: satisfaction and word of mouth. In addition, the research setting was designed to allow comparisons of context (i.e., among three countries, two product categories, and two channels) for profiling of customer value. Scale development and validation being one goal of the paper, a preliminary study online was conducted also. There were 763 Finnish respondents, who evaluated the value of a recent specialty retailing experience by applying the same customer-value scale. For all datasets, structural equation modeling in Mplus (v. 7.3) was the main method of analysis. For estimation in SEM, maximum likelihood with robust standard errors (MLR) was used. Determination of the internal consistency of the metric was facilitated by calculation of Cronbach’s alphas. Finally, to ascertain which contextual differences in customer value profiles were statistically significant, we performed analysis-of-variance testing in SPSS (v. 20).

4 Summary of the Original Articles

The four articles develop both the conceptualization, modeling, and measurement of customer value in the retail context and the managerial framework for identifying competitive customer value propositions. The goals and key findings presented in the articles are described next.

4.1 Article I – “Decomposing the Value of Department Store Shopping into Utilitarian, Hedonic, and Social Dimensions: Evidence from Finland”

The first article was inspired by the idea that, in addition to the well-recognized utilitarian and hedonic dimensions as sources of customer value, there is a social dimension that deserves to be modeled in its own right. To support this conclusion, a synthesis of earlier research is presented, bringing together three perspectives. Utilitarian value as a construct can be traced to the cognitive information processing paradigm, under which subjects apply rational criteria for purposes of finding solutions that meet instrumental needs. In the retail context, this means saving money, time, and effort. Hence, utilitarian value has two sub-dimensions, monetary savings and convenience. Another dimension of customer value that is rather well established in the literature, hedonic value, has its roots in the experiential view, in which subjects assess emotional criteria in evaluation of the shopping experience. Two sub-dimensions, entertainment and exploration, describe the varieties of hedonic value. Whereas both of these sub-dimensions are perceived by customers to be valuable as an end (i.e., not instrumental), entertainment is perceived as a result of rather passive recreation, and exploration is derived from more active and stimulation-seeking participation in the shopping experience. The argument for the importance of social value stems from the symbolic interactionism perspective, from which the socially constructed symbolic meanings are seen as used for self-expression. Social value too is reflected in two sub-dimensions: status and self-esteem. Status results from use of the symbolic meanings in expressing the self to others, and self-esteem is increased through use of the shopping experience to attach

meanings that enhance one's self-image. Hence, social value encompasses elements of both utilitarian and hedonic value, because it is based at the same time on instrumental use of the symbolic meanings and on the idea of valuing meanings themselves.

For testing of the conceptual framework, a questionnaire was constructed and a survey of 364 Finnish shoppers was conducted. A confirmatory factor analysis was used to validate the conceptual framework for customer value empirically. In the framework tested, the total customer value was reflected by utilitarian value, which is composed of monetary savings and convenience; hedonic value, involving entertainment and exploration; and social value, consisting of status and self-esteem value. Additional analyses revealed that social value varies by day of the week, with a significant increase on Saturdays.

The paper's contribution to existing literature on customer value lies in tying together the information processing perspective, experiential view, and symbolic interactionism literature in an argument for our three-pillar conceptualization of value. Furthermore, the resulting framework introduces tools for modeling and measuring total customer value through six dimensions that together reflect utilitarian, hedonic, and social value. In summary, the article provides a balanced synthesis of what drives value perceptions from the retail customer's perspective and introduces a scale for measuring and modeling them.

This article was written by multiple authors. As the first author, I was responsible for conceptualization of the dimensions of customer value, scale development, and data collection. I was also involved in the analysis.

4.2 Article II – “Identifying Competitive Customer Value Propositions in Retailing”

The second article focuses on the management perspective to considering strategic value creation in retailing. This entails development of a framework for identifying competitive customer value propositions in retailing and also illustrating it by means of mini-cases. Customer value propositions are defined as

an encapsulation of a strategic management decision on what the company believes its customers value the most and what it is able to deliver in a way that gives it competitive advantage (Rintamäki et al., 2007, p. 624).

If they are to have strategic steering effect for a retailer, customer value propositions have to fulfill four conditions. Firstly, they must create relevant value for the customer – i.e., increase benefits or decrease sacrifices. Creating value requires resources and competencies that enable the retailer to deliver superior value. Moreover, the retailer needs to be able to utilize these resources and competencies more effectively than its competitors. Thirdly, the set of increased benefits and/or decreased sacrifices must result in recognizably different and unique market positioning. Finally, this positioning should be one that creates competitive advantage over the competitors. Utilizing the framework developed in the paper is presented in terms of three stages (Rintamäki et al., 2007, p. 624), which we can describe as to

- 1) identify the key dimensions of customer value,
- 2) develop the value proposition, and
- 3) evaluate the value proposition for its ability to create competitive advantage.

For the first stage, customer value is defined in terms of four hierarchical dimensions proceeding from more rational to more experiential ones: economic (focus on price), functional (focus on solutions), emotional (focus on experience), and symbolic value (focus on meanings). In the second stage, a customer value proposition is developed on the basis of these dimensions of value. It may be based on a single dimension or a combination of two dimensions. Hence, economic, functional, emotional, or symbolic value, or any of six pairs of these dimensions, may serve as the foundation for a customer value proposition. In these combinations, a point-of-difference factor also may be supported by a point-of-parity factor. In the third stage, the customer value proposition is evaluated for the competitive advantage it yields.

The paper can be summarized as combining a hierarchical perspective on customer value and operationalization of the concept of competitive advantage in a manner that offers managers a strategic positioning tool, linking the customer's value needs to company resources and capabilities. The paper contributes to theory and retailer practice by introducing a compact yet widely applicable conceptualization of economic, functional, emotional, and symbolic value propositions. It is suggested that points of parity factors are more likely to be found in both economic and functional customer value propositions. On the other hand, points of difference can be often found in customer value propositions based on emotional and symbolic dimensions, supporting retailers to differentiate from their competition and gain competitive advantage.

This article was co-authored, with me as the first author and responsible for conceptualizing the dimensions of customer value and the framework for identifying competitive customer value propositions. I also compiled the mini-cases used for illustrating the framework.

4.3 Article III – “Creating Information-based Customer Value with Service Systems in Retailing”

The third article takes the customer value perspective for exploring the digitalization-propelled transformation of contemporary retailing. Although technology has been a source of development throughout the history of retailing, the most recent change has taken place in the realm of customer experience. In a phenomenon evidenced first in the online channel, the retail marketplace has become more transparent than ever, thereby challenging brick-and-mortar retailers’ business models. More recently, the mobile channel has extended the transparency beyond the shopper’s home and enabled cross-channel solutions wherein the physical and digital become blended in the customer experience. For retailers, this change offers new ways of creating value before, during, and after the shopping experience. More often than not, at the core of this new value creation is information-based value that enhances the customer experience as it makes use of the “smart” integration of data resources in a manner better than seen previously – i.e., as it embodies service systems thinking. The article was written to explore information-based creation of customer value and investigate the associated challenges and possibilities from the service systems perspective.

The study described in the paper used a dataset ($n = 2,466$) from Finland ($n = 858$) Japan ($n = 832$), and the United States ($n = 776$) for describing the use of offline, online, and mobile channels before, during, and after the purchase. In addition, focus is placed on the ways in which customers have used the mobile channel in the aforementioned three stages of the shopping experience. Examining the use of multiple channels helps us to understand channel usage and differences in it between countries, while the examination of mobile devices and applications’ use in particular illustrates the information-based nature of value creation and efforts to bridge the physical and digital realms of the shopping experience.

The results reveal a distinct profile for each of the three countries with respect to channel usage. The U.S. shoppers engaged in the most versatile usage of all three channels, followed by the Japanese and then the Finnish shoppers. Interestingly, the Japanese shoppers seemed to prefer the online channel even when this meant the

loss of the offline one. In Finland, use of the mobile channel remains rather marginal, and use of the offline one is strong in the purchase stage. However, in all three countries the online channel is preferred for the pre-purchase and post-purchase stages.

The results revealing the subjects' specific ways of using the mobile channel in information-based value creation suggest seven categories, which can be organized with reference to the three aforementioned stages of the shopping experience. In the pre-purchase stage, information-based value can be created with comparison tools, inspiration tools, and planning tools. As the name implies, comparison tools are focused on price and product information. Comparison tools may be provided by either a third party (e.g., Google) or the retailer. Inspiration tools might be based on retailer "apps" with recreational use/content and, equally, on orchestrating encounters with price and/or product information by means of advertisements featuring QR codes. Planning tools aid the customer in locating the store, checking the availability of the product, and creating shopping lists. During the purchase stage, retailers can create information-based value via in-store shopping tools and with transaction tools. The former may include mobile "logging in" for special deals and retail options available to shoppers who visit physical stores, in-store guidance for location and navigation, and scanning of products for additional information and comparisons. Transaction tools enable paying in the mobile domain, redeeming coupons, saving mobile receipts, and collecting loyalty points. Finally, in the post-purchase stage, information-based value can result from use-value tools such as mobile usage instructions or additional product information provided through code-scanning. In addition, communication tools may create post-purchase informational value by enabling the customer to "share" the shopping experience or submit feedback/complaints to the retailer.

Besides the explorative and international insights into channel usage, especially use of the mobile channel for information-based customer value, Article 3 contributes to the customer value proposition literature and service system literature. Implications for creation of economic, functional, emotional, and symbolic value are presented from the perspective of information-based value. Along similar lines, challenges and opportunities in service system development are identified. The paper presents a general conclusion that for many retailers' value creation, focusing on the point-of-purchase encounter alone might not be enough – instead, most retail practitioners may well need to consider the possibilities for information-based value creation 1) before and after the purchase and 2) across the various channels.

I had a co-author for this article. As the first author, I was responsible for crafting the research setting, development of the scales, and the framework for information-based value creation.

4.4 Article IV – “From Perceptions to Propositions – Profiling Customer Value across Retail Contexts”

The core claim made in the fourth article is that retailers wishing to identify and manage competitive customer value propositions succeed by measuring and modeling the customer value with reference to specific contexts that are relevant for them. Instead of relying on demographics or industry averages, they may be aided most by understanding the contextual differences when choosing a benchmark – and choosing the type of value to be used in guiding the strategy. To afford such understanding, tools were developed and validated for measuring and modeling economic, functional, emotional, and symbolic value across the chosen retail contexts. Data from three countries – Finland ($n = 858$), Japan ($n = 832$), and the USA ($n = 776$) – were collected via an online survey yielding 2,466 usable responses. A questionnaire measuring and modeling the aforementioned four types of value in the retail context was developed and tested. In this connection, economic value was defined as the outcome of customer evaluation of the price-related aspects of the shopping environment. Economic value results mainly from a decrease in monetary sacrifice and can be perceived as monetary savings, receiving products economically, and benefiting from campaign deals or discount prices. Functional value is the outcome of the evaluation of the solution-related aspects of the shopping environment. This type of value results mainly from a decrease in time- and effort-related sacrifice and can be perceived as getting the necessary products in one stop, quickly, conveniently, and with the products being found readily. Emotional value is the outcome of evaluation of the customer-experience-related aspects of the shopping environment. Emotional value results primarily from the psychic benefits and can be perceived in a better mood, pleasure, enjoyment, and feelings of being comfortable. Finally, symbolic value is the outcome of the evaluation of the meaning-related aspects of the shopping environment. This value results mainly from an increase in meaning-related benefits and can be perceived as giving a positive impression to others or getting approval from others that is rooted in the store and product choice. Customer value in retailing is reflected by value on all four of these

dimensions. Customer-perceived value is positively associated with satisfaction and WOM intentions.

The contextual nature of customer value was investigated in three countries, two channels (offline and online) and two product categories: fashion and electronics. In addition, a company-level investigation was conducted from the U.S. data, wherein the value profiles of three companies were investigated for electronics shopping. Although tentative, the results relayed in the company-level illustration suggest that creation of emotional value aids in reaching positive outcomes such as increased satisfaction and WOM. The results suggest that, on one hand, it is crucial to measure and model customer value at a level that is general enough for comparisons beyond context. On the other hand, differences between contexts are in many cases statistically significant, revealing cultural, channel-related, product-category-related, and company-related differences. The conclusion is that retailers wishing to identify and manage competitive customer value propositions need to choose their value propositions on the basis of the positive differentiation available in the target market. Hence, companies need to understand the dynamics of their customer value profiles in terms of the relevant contextual variables and should measure and model customer value accordingly.

I wrote this article with a co-author. I was the first author and had responsibility for developing the research setting, conceptualizing the dimensions of customer value, and developing the scales used.

4.5 Summary of the Key Results

The research gap arose from discrepancies in understandings of value in the customer, company, and digitalization domains. Figure 7 serves as an attempt to present the results more graphically in relation to the research context and the research gap. The gap is filled by integrative conceptualization and modeling of customer value perceptions and customer value propositions across retail contexts, and through illustration of the potential that informational value represents for enhancing value creation across channels and throughout the various stages in the purchase process as the digitalization of retailing follows its course. The work reported upon in the four articles has been designed to speak to the research questions for this dissertation. Table 5 summarizes the links between the research setting of the dissertation and the four articles, along with the intended contributions.

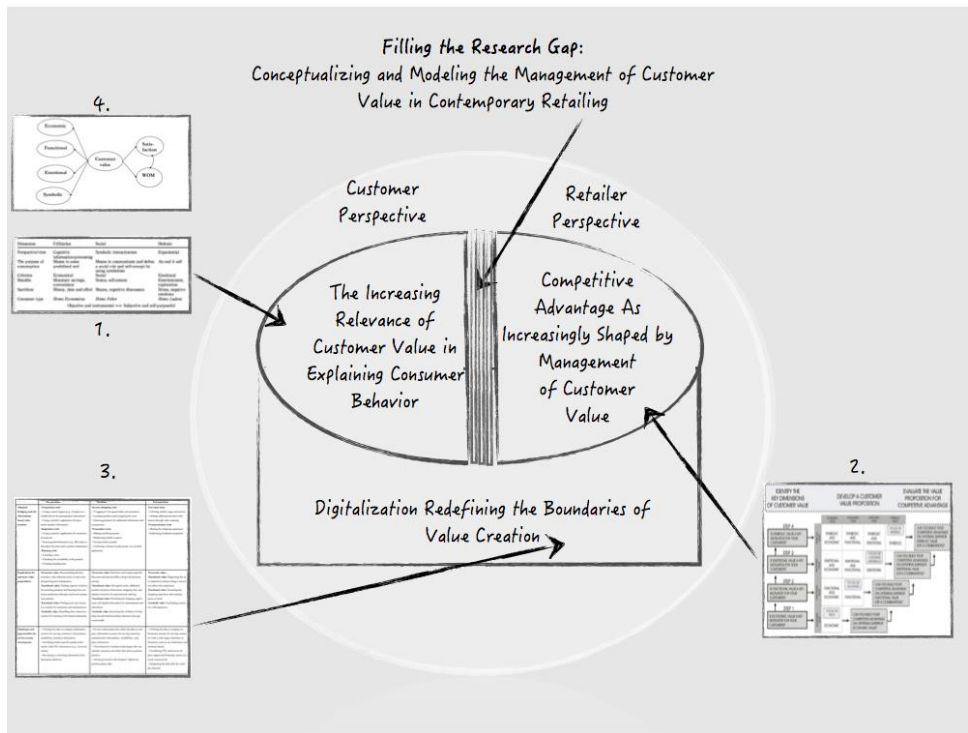


Figure 7. Filling the research gap with the main contributions of the articles

The first article (denoted by “1” in Figure 7, above) and the fourth article (“4” in Figure 7) contribute to the literature on measuring and modeling customer value as perceived by the shopper. The first article lays the conceptual groundwork and explores measurement and modeling related to customer value. The fourth article crystallizes customer value along economic, functional, emotional, and symbolic dimensions and considers these in relation to key outcome variables (satisfaction and WOM). Profiling customer value across retail contexts illustrates the dynamics of value perceptions and their importance for retail practitioners.

Table 5. Summary of the research questions (RQs), key findings, and the contribution of the four articles

Article	Research question(s)	Key findings	Contribution
“Decomposing the Value of Department Store Shopping into Utilitarian, Hedonic and Social Dimensions: Evidence from Finland”	How can the key dimensions of customer value be modeled and measured in retailing (RQ1)?	Customer value in retailing can be examined from three perspectives: cognitive information processing, the experiential angle, and symbolic interactionism. The dimensions of value resulting from analysis applying all three are utilitarian value (reflected by monetary savings and convenience), social value (reflected by status and self-esteem), and hedonic value (reflected by entertainment and exploration).	The paper presents a synthesis of the literature on the drivers of shopping and conceptualizes a three-perspective approach to customer value in retailing, one that acknowledges social value as an independent key dimension. The article also presents measures for modeling the key dimensions of customer value.
“Identifying Competitive Customer Value Propositions in Retailing”	How can competitive customer value propositions in retailing be identified (RQ2)?	CVPs are encapsulations of a strategic management decision on what the company believes its customers value the most and what it is able to deliver in a way that results in competitive advantage. A hierarchical framework for identifying CVPs on the basis of economic, function-oriented, emotion-based, and symbolic dimensions of value is presented, with mini-case illustrations.	The contribution of the article is twofold: it concretizes the dimensions of customer value dimension in a more manageable and generalizable model and presents a framework wherein CVPs can be identified in light of what creates value for customers and competitive advantage for the company. Hence the paper integrates customer and company perspectives on value creation at a strategic level.

“Creating Information-based Customer Value with Service Systems in Retailing”

How does digitalization transform customer value in retailing (RQ3)?

With the advent of digitalization, the creation of customer value includes information-based value creation. Therefore, focus is extended from the point of purchase to the pre- and post-purchase stages. This new type of value creation is enabled by multi- and cross-channel solutions that complement physical shopping with online and mobile channels. Here, the role of service system thinking is emphasized, for enhanced use of timely data and decision-making tools. The channel-bridging mobile tools recognized include comparison, inspiration, and planning tools (pre-purchase), in-store shopping and transaction tools (purchase), and use-value and communication tools (post-purchase).

The article considers the three main channels (offline, online, and mobile) and the three main stages of the customer experience (pre-purchase, purchase, and post-purchase) together in order to illustrate contemporary retailers’ changing role in terms of value creation. As the evidence of channel usage in the three counties, especially of the use of mobile devices and applications, suggests, the creation of customer value is increasingly information-based. The paper presents implications for customer value propositions and also for service system development from the perspective of information-based value.

“From Perceptions to Propositions – Profiling Customer Value across Retail Contexts”

How can the key dimensions of customer value be modeled and measured in retailing (RQ1)?
How can competitive customer value propositions in retailing be identified (RQ2)?

Profiling and management of customer value is highly context-dependent; hence, both customer perceptions and companies’ positioning of value are easily misinterpreted. The article provides evidence of effects of context on customer value in retailing. Three countries (Finland, Japan, and the USA), two channels (offline and online), two product categories (fashion and electronics), and three companies are used for illustrating how variation in context affects customer value profiles.

The article develops and validates a model and metrics for economic, functional, emotional, and symbolic customer value in retailing, including the important outcomes of satisfaction and WOM. In addition, the paper argues for a role of context, which is illustrated as crucial for retailers that seek competitive advantage on the basis of differentiation in value creation.

The second article (represented by the “2” in Figure 7) contributes to solving the challenge of identifying competitive customer value propositions for strategic retail management. The framework presented applies the same set of dimensions of customer value – economic, functional, emotional, and symbolic – for identifying the positioning that represents the best match between the customer value created and the competitive advantage gained. Hence, the paper bridges the gap between the customer and company perspective on value creation, and it builds theory-based methodology for the management of customer value.

The third article (“3” in Figure 7) introduces the concept of information-based value creation, which assists us in understanding how digitalization transforms the process of value creation from both customers’ and retailers’ perspective. The paper illustrates how the online and mobile channels, extending the boundaries of the shopping experience into the pre-purchase and post-purchase stages, complement offline retailing. Focusing on the channel-bridging role of mobile technologies, the paper shows how retailers may offer shoppers new tools for information-based value creation in all stages of the shopping experience. The presentation of the associated framework includes suggestions addressing how to enhance economic, function-based, emotion-oriented, and symbolic value propositions via these new tools. Service systems thinking being one key theoretical pillar for the paper, implications for system development are presented also.

5 Discussion and Conclusions

Looking for the silver bullet that will solve your retailing woes? It doesn't exist. The best retailers lay a foundation for success by creating value in a handful of fundamental ways. (Berry, 2001, p. 131)

The emerging metaphor for marketing refers to marketing as an integral part of the organization (Kumar, 2015). This calls for a new role in which marketing is an integral part of the decision-making framework of the organization. Customer value has potential to stand at the core of this new marketing, as a point of convergence between customer ethos and company strategy. The key claim made in this dissertation is that managing customer value requires four complementary and interdependent perspectives, the angle of the customer, context, process, and company. These perspectives have been investigated in retailing, and the conclusions derived from the relevant studies are summarized in Figure 8 and discussed next. In addition, the contribution and implications of this dissertation are assessed here from the managerial and academic perspectives.

Figure 8 arranges the four perspectives along two dimensions: those of the focus in conceptualizing and modeling customer value and the focus in managing customer value. The conceptualization and modeling of customer value may focus on value perceptions or value propositions. The former entails modeling the value for the customer, and work stressing the latter investigates how retailers can propose value. Managing customer value may focus on the strategic or operational level. Work at the strategic level involves understanding and conceptualizing what customers value and how it can be given form in customer value propositions. Considering the operational level describes how customers' actual perceptions of value can be profiled in relevant contexts and how retailers can enhance their value creation and extend it further from the purchase stage into the pre-purchase and post-purchase stages with the aid of digital technologies that enable information-based value creation.

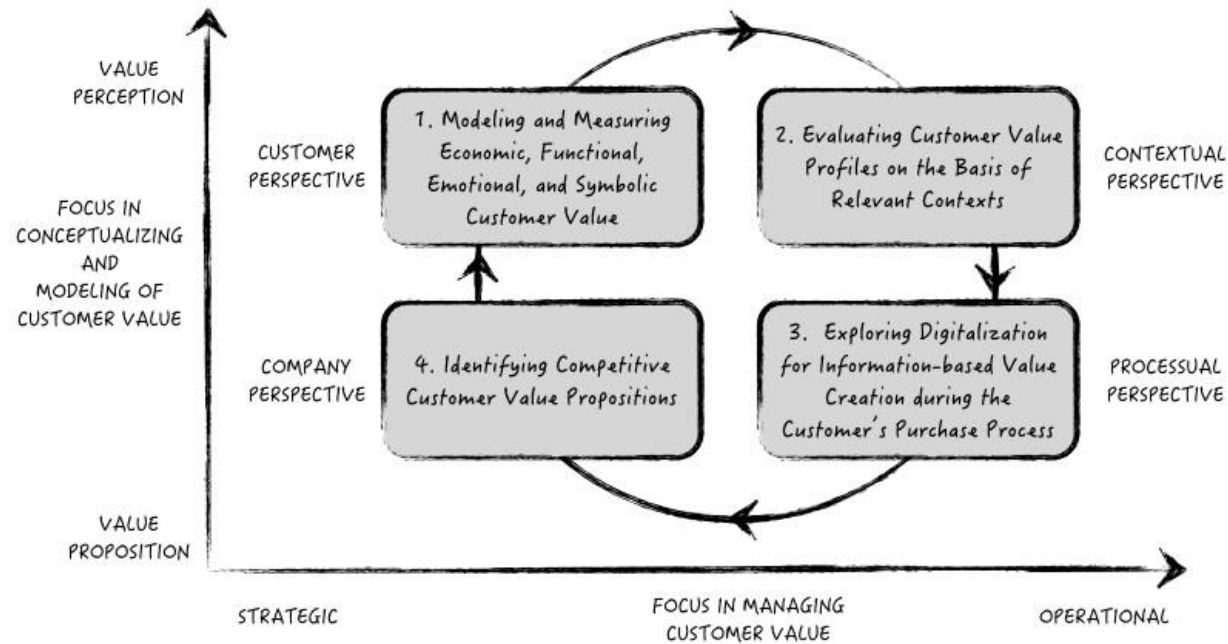


Figure 8. An integrative framework for managing customer value in retailing

5.1 Ascertaining the Customer Perspective: Modeling and Measuring Economic, Functional, Emotional, and Symbolic Customer Value

To be able to manage customer value, one needs to understand what creates that value. Assessing the customer perspective is vital for retailers, because customer value is a key driver for satisfaction and behavioral intentions. Hence, examination of the customer perspective on value in retailing should focus on modeling perceptions of the key dimensions of value, with the aim of generating customer-related insights for application in strategic management of customer value.

This dissertation presents conceptualization and empirical validation of economic, functional, emotional, and symbolic dimensions of customer value, which have a strong foundation in earlier research and literature both on customer value in general (e.g., Sheth, 1991; Holbrook, 1999) and on investigation of customer value specifically in retailing (Babin et al., 1994; Chandon et al., 2000; Sweeney & Soutar, 2001; Rintamäki et al., 2006; 2007). The foundations used here for conceptualizing customer value are drawn from the established literature describing utilitarian and hedonically oriented elements, which has its roots in an information processing perspective and the experiential view, respectively (Holbrook & Hirschman, 1982). To complement this pillar for our understanding of customer value, the research in the dissertation project has considered the social standpoint, which is grounded in symbolic interactionism literature. The defining element of the social view is the symbolic meaning, which has some characteristics from both utilitarian and hedonic traditions. For instance, symbolic meanings incorporate intrinsic value but may also be used for instrumental purposes. In other words, the social perspective on shopping is further enriched by the fact that these socially negotiated symbolic meanings can be used by the customer in building on or altering one's image in others' eyes (i.e., status) or enhancing self-esteem (Belk, 1988; Sirgy et al., 2000; Rintamäki et al., 2006). Awareness of symbolic meanings associated with the retailer may therefore be essential for deepening the insight into customers.

Contributing to this insight is a good start, but the true gains from considering the customer perspective materialize with a well-grounded vision of how to model and measure customer value. Representing the outcomes of shopping with a certain retailer, the modeling needs to capture the essential drivers concisely and robustly enough to be of use for survey instruments and statistical modeling. It also must cover the essential cross-disciplinary theoretical domains parsimoniously and still

avoid problems of overlapping conceptualizations and multi-collinear constructs. For its external validity to be established, the model needs to be related to concrete outcomes of customer value. For this dissertation, the modeling and measurement of customer value was addressed in two stages. In the first stage, the theoretical foundations were synthesized and a survey instrument based on the three main dimensions and six sub-dimensions was constructed. In the second stage, the framework was condensed into a construct of four dimensions – represented by economic, functional, emotional, and symbolic customer value – and considered in relation to satisfaction and word of mouth.

5.2 Moving to Contextual Perspective: Evaluating Customer Value Profiles on the Basis of Relevant Contexts

Applying the contextual perspective involves profiling customers' perceptions of value in practice, illustrating the operational challenges and possibilities for managing customer value. Although it is well known that customer value is relativistic and hence varies between times, places, and people, the results illustrated in this dissertation emphasize the importance of precise understanding and modeling of contextual effects on customer value. This is of special importance for management decision-making but also from the perspectives of academic research and theory-building. Instead of reporting overall empirical results, apparently generalizable findings, one should profile the contextual variation in accordance with a moving benchmark: few variables remain constant across contexts. In other words, there are not many shortcuts for profiling of customer value without an examination of the context. If the contextual reference is wrong, the evaluation of the value-creation performance too is incorrect.

In simple terms, contextual perspective is needed for understanding what constitutes poor, satisfactory, or excellent performance in terms of value created for the customer. The results presented in this dissertation suggest that understanding the dynamics of customer value requires – in many cases – several context-linked customer value profiles. On account of variations found in these contextual profiles, which might represent the company, product category, channel, or country, choosing the right context for the benchmark becomes crucial.

The results presented here suggest that functional and emotional value have an important role in customer value formation. In many cases, these two dimensions override economic value. On the other hand, symbolic value is perceived only when

the retailer succeeds on the other dimensions of value as well. Especially when the value profiles are analyzed against the backdrop of the competitor context, the results have potential to be “eye-openers” within companies that have taken a narrow perspective on customer value. However, this does not mean that all retailers could succeed with the same recipe.

A contextual perspective may help retailers understand which differences in value profiles represent average performance or even failure to achieve competitive advantage and which ones actually strengthen it by crystallizing the differentiation factors (Moon, 2010). It follows from the logic presented in this dissertation that the companies implementing value creation best will probably have distinctive value profiles and better results for satisfaction and word of mouth. These types of contextual illustrations render the numbers behind aggregated averages and trends meaningful for the people who are responsible for operational management. Furthermore, conceptualizing and measuring customer value at the contextual level makes customer insight easier to communicate within the company and provides arguments for the future actions to be taken in managing customer value.

5.3 Extending to Processual Perspective: Exploring Digitalization for Information-based Value Creation during the Customer’s Purchase Process

A process-oriented perspective on value highlights the information-based value creation enabled by digital technologies. It also extends the retailer’s scope for operational management of customer value. Adopting this perspective is the fruit of two developments: breaking free from point-of-purchase thinking and reconsidering the role of the multiple channels.

Digitalization extends retailers’ scope for value creation into pre-purchase and post-purchase processes and enhances the purchase stage. One could claim that retailers have traditionally been the endpoints of logistics, because their focus has been on the point of sale. Not surprisingly, the point of sale will remain important, because that is where most of the revenue is generated. Some pioneering retailers of the early 2010s, however, began to take measures based on an understanding that decisions on what to buy and where to do so are made before the shopper enters a brick-and-mortar store or even reaches an online store. Online and mobile technologies have enabled retailers to support customers’ processes of comparison, inspiration, and planning in ways that were not even conceivable a few years ago.

Some retailers have introduced use-value tools and communication tools also to the later parts of customer purchase processes, tools that provide support during the actual use stage. Similarly, mobile technologies in particular enable in-store shopping tools and transaction tools that enhance value creation on the shop floor.

Instead of representing the symptoms of technocrazia, these elements actually indicate that the scope for value creation by retailers is undergoing transformation: it is extending further into the pre-purchase and post-purchase stages without neglecting innovative ways to revitalize the purchase stage. This new type of value creation is inherently information-based: it is designed to support customers' decision-making, daydreaming, and problem-solving. With some rare exceptions that entail direct revenue generation (typically involving luxury retailers' exclusive digital content, mobile apps, and online services that come with their own price tag), this extended value creation is seen as a way to gain relevance in the early stages of the customer decision-making process. Representing as it does a considerable cost factor, this new type of information-based value creation calls for accountability in terms of conversion rates, loyalty, and word of mouth.

Service system development enables information-based value creation. The backbone of information-based value creation extending to all stages of the purchase process is systems thinking surrounding channel integration. Channel integration represented by the new uses of digital technologies has been labeled cross-channel or omni-channel retailing (Chatterjee, 2010; Resmini & Rosati, 2011; Rigby, 2014). The cross-channel strategy is created when the multi-channel solutions are designed and integrated around the customer. Omni-channel strategy is employed for goals similar to those of cross-channel strategy as described above, but the emphasis in the former is especially on the customer experience: whatever and wherever the touchpoints are, they should be seamless and coherent from the customer's standpoint. This does not mean that the channels should imitate each other or that each should provide the same set of possibilities for the customer. The idea is to have relevant information and functions available via the relevant channel(s) when the customer needs them.

Purchase decisions are often made before one enters a brick-and-mortar store, because product search, comparison, and inspiration-seeking take place online more and more. Hence, the role of the pre-purchase stage in the shopping experience is emphasized. At the same time, mobile devices are already entering use even in the purchase stage in the offline world: shoppers use mobile apps to find tools for comparisons, check prices, and receive personalized discounts and coupons. These are only a few examples. In the post-purchase stage, customers may seek user

manuals or recipes via the online or mobile channel, or they might use these channels for feedback and to file refund claims. Understanding how target customers use the various channels in the individual stages of their shopping experience opens possibilities for evaluating the value creation and uncovering ways to enhance it.

5.4 Managing the Company Perspective: Identifying Competitive Customer Value Propositions

Taking the company perspective means focusing on value propositions, on which the strategic management of value is based. By striving to understand which dimensions – economic, functional, emotional, and/or symbolic – create value for the customers, companies strategize to develop the positioning that best matches their customers' value needs, the company's resources and competencies, and the competitive environment. Identifying competitive value propositions hence builds on the customer perspective, the contextual perspective, and the processual perspective. This can be done only when one understands value in the right context, including from a competitor's perspective, and exploring opportunities for enhancing the value creation in all three stages of the purchase process. Developing, implementing, and managing customer value propositions is a systematic and measurement-based technique that comes with its own philosophy, a customer-oriented strategy that guides operational-level value creation aimed at competitive advantage.

The customer value proposition is an essential part of a strategic management system, with operational implications. As is illustrated by Figure 8, above, managing customer value is a continuous cycle. The tools and techniques discussed in this dissertation are best utilized when they are adopted as a part of a management system wherein systematic empirical data collection and analysis informs strategy and supports decision-making. This is where customer-value-based management comes alive. Understanding what creates value for the targeted customers, how it is profiled across contexts, and how value creation can be enhanced during customers' purchase process provides fuel for the retailer's value-creation strategy. Further, measuring and modeling this often enough provides a key resource for evaluating and developing the strategy. The customer value proposition is the encapsulation of this value-creation strategy.

Retailers that adopt customer value propositions as the core of their strategy should be able to establish strong links between the strategic and operational level. For instance, a customer value proposition is of assistance in communication and

implementation of customer-orientation within a company. It aids in connecting the work done inside the company to the valued outcomes as perceived by the customers. Over time, it can be used for developing resource allocation based on the effects of value creation that leads to competitive advantage. Modeling and measuring customer value is a tool for rendering abstract perceptions of customer value transparent, goal-oriented, and manageable. Hence, customer value management in general and customer value propositions in particular have full potential to guide operational-level decision-making and to strengthen the link between strategy and practice. Moreover, they possess potential to bring marketing one step closer to being an integral part of how organizations are managed.

5.5 Key Contributions and Implications

Customer value management inherently combines theoretically oriented and managerial thinking. Hence, this dissertation constitutes an attempt to contribute to both understanding of consumer behavior and management of customer value.

5.5.1 Theory-related Relevance of the Dissertation

The contribution of any research can be assessed along three dimensions: method, context, and theory (Ladik & Stewart, 2008). The first involves the methodological novelty, new means of scrutinizing or exploring the research phenomenon. The aim on the context dimension is to reveal relevance through the aid of novel settings for framing old or new phenomena, as with online developments having changed the logic of industry – for example, in banking. Finally, theory is the conceptual domain, wherein the researcher can aim to find relationships in existing work or explore and extend new conceptual territories. These three dimensions can be used in identifying a “contribution continuum” of eight ways to contribute (Ladik and Stewart 2008, p. 163):

- 1) Straight replication
- 2) Replication and extension
- 3) Extension of a new theory/method in a new area
- 4) Integrative review (e.g., meta-analysis)
- 5) Develop of a new theory to explain an old phenomenon – compete one theory against another – in classic theory-testing
- 6) Identification of a new phenomenon
- 7) Develop of a grand synthesis – integration

8) Develop of a new theory that predicts a new phenomenon (e.g., the theory of relativity)

In the terms employed by Ladik and Stewart (2008), the contribution of this dissertation can be found in all three domains and in stages 3 and 4 on the aforementioned continuum. In its theory, this dissertation has integrated and consolidated earlier research on customer value by conceptualizing economic, functional, emotional, and symbolic value. Advancing the idea of four complementary and interdependent perspectives – of the customer, the context, the process, and the company – brings novel understanding of perception and management of customer value.

The methodological contribution comes from two directions. Firstly, in the original articles, the development of tools such as measurement scales and conceptual models has framed value from the customer, company, processual, and contextual perspective. Secondly, the dissertation brings these individual methods and models together under an integrative framework for managing customer value. In addition to a toolbox, instructions are provided. The contextual contribution results from providing empirical evidence supporting the claim that digitalization is transforming contemporary value creation in retailing. More than “just a context,” the online and especially the mobile channel extend the scope for retailers’ information-based value creation. These contextual effects can be seen in the pre-purchase, purchase, and post-purchase stages of shopping and also in the new channel-bridging behaviors that accompany digitalization.

Another way of considering the contribution is to take a look at the key streams of literature – on customer value in this case. According to Gallarza and colleagues (2011), there are six reasons for which customer value research is crucial for the marketing discipline (see Table 6). The first is that the study of customer value has meaningful epistemological implications for marketing. This is emphasized especially in the way in which the concept of customer value combines economics and psychological research traditions in explaining why different parties come together to exchange things that are of value to each of them. This idea can be seen also in the AMA (2004) definition of marketing. Secondly, customer value offers inextricable links to important marketing-related constructs. These include perceived price, quality, and satisfaction. Furthermore, customer value can offer explanations for diverse facets of consumer behavior, such as those encountered before and after the purchase stage of consumption. Through the lens of customer value, the drivers of individual purchases and for repeat buying that leads to loyalty can be explained.

Table 6. Summary of the contribution

Perspective on the contribution of customer value research to the marketing discipline (Gallarza et al., 2011)	The contribution of the dissertation
The concept of customer value brings economics and psychological research traditions together in explaining why different parties come together to exchange things of value to each of them.	Three theoretical domains – the cognitive information processing perspective (utilitarian), the experiential view (hedonic), and symbolic interactionism (social) – are integrated for conceptualizing customer value in retailing. This integrative work is evident also in the operationalization of economic, functional, emotional, and symbolic value.
Customer value offers fundamental links to key marketing-related constructs.	Customer value contributes to satisfaction and WOM intentions. This result supports the findings of earlier research.
Customer value can offer explanations for diverse facets of consumer behavior, such as those encountered before and after the purchase stage of consumption.	A technique has been developed for investigating process perspective to customer value, one that addresses the pre-purchase, purchase, and post-purchase stages. The dissertation also presents a technique for profiling contextual value.
Customer value matches a company's offering to the right market segments.	An integrative framework is developed for matching the customer's value needs to the company's value creation, which results in market positioning with competitive advantage. Models and tools have been developed for managing customer value.
Customer-value-oriented thinking at macro level can be seen as resulting in win-win situations.	Customer value perceptions and customer value propositions are conceptualized along the same dimensions. The framework developed for identifying customer value propositions intrinsically assumes win-win situations between the customer and the company.
Customer value research offers views that are synchronically and diachronically important for the study of marketing.	The dissertation synthesizes literature on consumer behavior and strategic management.

The fourth notion is related to the understanding of key issues in marketing management, the role of which is to match company offerings to the right market segments. Market segmentation, product differentiation, and brand positioning are all areas in which success is firmly grounded in understanding of customer value. Accordingly, Slater (1997), for instance, has called for a value-based theory of the firm.

Fifthly, when one considers more macro-level issues, customer value thinking can be seen as resulting in win-win situations. Hence, marketing gains its social justification through a logic based on customer value creation. Finally, customer value research offers views that are synchronically and diachronically important for the study of marketing. That is, it both can consider a single moment in time and

hence provide justification and explanation for the transactions between parties and can examine changes over time, thereby also helping us to detect the paradigm shifts in the marketing discipline.

5.5.2 The Managerial Relevance of the Dissertation

Several managerial implications can be derived from the theoretical, methodological, and contextual contribution of this dissertation. The integrative framework presented in the work (shown in Figure 8) can be applied for a customer-oriented strategy for managing value creation. The merit of this framework from the company perspective lies in bringing the strategic and operational levels together for a measurable management system. It introduces four perspectives for modeling and management of customer value. Summary of managerial implications is presented in Figure 9.

From the customer perspective, customer outcomes are conceptualized at strategic level and metrics for them are provided. Doing the former is essential for customer insight: understanding what customer value is the foundation of customer-oriented strategy. Article 1 proposes a tripartite conceptualization of value, along with six dimensions in terms of which one can highlight the benefits that give substance to customer value. The intent with this article is to deepen insight into the customer perspective at both conceptual and methodological level while also shedding light on the essence of customer value. Considering the dimensions of customer value can form part of critically assessing the key drivers of value within the target segment(s) (i.e., determining whether one has a broad enough view of customer value). These also offer a framework and vocabulary for communication about customer value within the company – an essential but sometimes neglected condition for improving the creation of customer value. The latter element (metrics) creates a foundation for the measurement-based modeling of customer value perceptions. Article 4 provides an operationalization of customer value in retailing along four dimensions: the economic, functional, emotional, and symbolic. As the article illustrates, with examples from the fields of electronics and fashion, measurement enables successful target-setting for a differentiated value-creation strategy. Moreover, adding key outcome variables such as satisfaction and word of mouth to the model aids companies in uncovering the dynamics of value perceptions.

Figure 9. Summary of managerial implications

PERSPECTIVE ON MANAGING CUSTOMER VALUE	MANAGERIAL IMPLICATIONS
CUSTOMER	<ol style="list-style-type: none"> 1. Improved customer insight: making key dimensions of customer value transparent 2. Enhanced target-setting enabled by the operationalization of customer value 3. Measurement-based modeling of the dynamics of value perception by means of satisfaction and word of mouth
CONTEXT	<ol style="list-style-type: none"> 1. Understanding customer value as a moving target; and choosing contextual benchmarks accordingly 2. Modeling customer value profiles, for assessment of true performance 3. Setting contextual targets for customer value profiles, to guide operations
PROCESS	<ol style="list-style-type: none"> 1. Thinking in terms of the purchase stage (pre-purchase, purchase, and post-purchase) x channel (offline, online, and mobile) in managing customer value 2. Expanding customer value management via information-based value creation
COMPANY	<ol style="list-style-type: none"> 1. Identifying customer value propositions for competitive advantage and using them in creating a bridge between the customer and company perspective on strategy 2. Integrating customer value into measurement-based management system

You get what you measure. Analysis from the contextual perspective provides tools for profiling the retailer’s performance at value creation with the relevant benchmarks, such as performance in relation to competitors, within product categories, in (international) markets, and by channel. As Article 4 shows, customer value is a moving target, whose interpretation depends on these contextual lenses. The intent with the concept as employed here is to help companies see which benchmarks may be fruitful to use. Without contextual profiles for customer value, the retailer may end up reaching biased conclusions on its strategy’s performance in value creation. Hence, work from the contextual perspective provides tools for profiling and evaluating positioning vs. performance. Though illustrative only, the example of Amazon, Best Buy, and Walmart serves as a concrete case here. The metrics for economic, functional, emotional, and symbolic value enable retailers’ appropriate target-setting, trend analysis, and evaluation of the actions taken. In addition, looking at things from this perspective makes the operational-level management of customer value transparent and concrete within the company. As Article 4 suggests, modeling

customer value profiles across selected contexts in a continuous and systematic manner functions as the backbone of evaluating the success of operational metrics for enhanced value creation.

The process perspective is focused on value creation over time and, accordingly, introduces the idea of thinking in terms of the pre-purchase, purchase, and post-purchase stages. When consideration of these stages is combined with the possibilities enabled by the offline, online, and mobile channels that help retailers reach the customer in all three stages, new strategic opportunities are generated for the management of customer value. Article 3 offers a method for evaluating the process perspective in consideration of these three channels and three stages, and the piece illustrates the relevance of digital channels. These opportunities suggest utility of expanding the scope of the value creation by means of information-based value that supports customers' decision-making throughout the purchase process. The article presents a proposed definition of information-based value and connects it with a framework of information-based value creation in retailing, accompanied by concrete use examples.

The company perspective on customer value is crucial, because the aim here is positioning and resource use that increase competitive advantage through customer value propositions. The framework for identifying competitive customer value propositions that was developed for Article 2 brings the other perspectives into play through critical analysis of the value-creation strategy. In combination with the integrative perspective unfolded in this dissertation, it should help retailers to develop and monitor their strategy both and brings together insight into customers, competitor analysis, and awareness of internal resources and capabilities. Accordingly, it enables retailers to tailor their key performance indicators for a customer value dashboard. Companies are called on to organize their strategy around a measurement-based system for management of customer value.

In summary, from the theoretical perspective this dissertation offers a philosophy for managing customer value with an integrative framework addressing both the strategic and the operational level. The methodological perspective introduces a set of robust and compact metrics that retailers can employ for surveys, accompanied by guidelines for analyzing and reporting the results found from the four perspectives introduced. Via consideration of the context-related results, the dissertation provides benchmarks and techniques for choosing the exact value to be managed.

5.5.3 Research Quality

The quality of the research presented in this dissertation can be evaluated with three criteria: reliability, validity, and reflexivity. The first two of these represent standard criteria for evaluating quantitative research based on structural equation modeling, which has been the main methodological choice for developing and testing the scales used in this dissertation (Anderson & Gerbing, 1988; Jöreskog & Sörbom, 2003). Reflexivity here is applied for assessing the quality of the compilation part of the dissertation. In addition to being subjected to these three criteria, it should be noted that the publications have been through the peer-review processes (article 4 under review) of the academic publishers involved – which also serves as an indication of research quality.

The level of reliability is manifested in the accuracy of measurement or the consistency of results when the study is repeated². The measurement accuracy is typically evaluated with Cronbach's alpha, where 0.5, 0.7, and 0.8 are the typical lower limits for acceptability of a scale (from more relaxed to stricter evaluation criteria, in line with the level of research) (Nunnally, 1978). For the economic, functional, emotional, and symbolic value and also for satisfaction and word of mouth, the Cronbach's alphas were ≥ 0.84 , indicating good reliability. As for the repetition criteria for reliability, the results from the international dataset collected by a professional market-research company in the three (quite different) countries, plus pilot data in Finland, provide strong support. Hence, the scale developed and tested can be evaluated as highly reliable.

The validity of the scale too can be evaluated from several perspectives. The nomological and construct validity describe the fit between theory and data and can be assessed with extensive fit statistics specified in the structural equation literature (Anderson & Gerbing, 1988; Jöreskog & Sörbom, 2003). In addition, the external validity of the customer value construct is established through incorporation of satisfaction and word of mouth into the final model. Again, the model fits well with the data. This fact is evidence of nomological, construct, and external validity. More in-depth discussion of the validity and reliability of the scale is presented in Article 4.

² For more exploratory study aimed at modeling the utilitarian, social, and hedonic value with six sub-dimensions, the reliability and validity are not separately evaluated in addition to the presentation of discussion in the initial publication. This is on account of the work's role in preliminary development of measurement of customer value in retailing.

In addition to evaluations of reliability and validity, the researcher has aimed for a research process the stages of which have tested and honed the conceptualization of customer value and the four perspectives suggested as foundations for its management. Although the core idea of modeling and measuring the key dimensions of customer value in retailing has remained the same from the outset, the research setting has evolved in the course of the process. The testing and refinement of the ideas and modeling that form the backbone for this dissertation received seeds from academic presentations in domestic forums and international conferences, numerous eMBA lectures involving discussions with practitioners, academic research projects, and customer value surveys and development projects conducted at individual companies. In consequence, the timeline for this dissertation has been considerably longer than expected. By the same token, it has allowed many viewpoints on managing customer value to emerge, and these have supported the construction of the integrative perspective well. Along the way, the dimensions of customer value have been distilled and the perspectives on its management elaborated upon. It is hoped that the compilation part of this dissertation reflects the experience gained and adds quality that could not have been found in the work otherwise.

5.5.4 Limitations and Avenues for Future Research

This work has focused on the four perspectives on managing customer value in retailing. In addition, the four perspectives were developed further in connection with the four original articles. These perspectives but also the characteristics of retailing may limit the treatment of customer value management as it is presented here. However, the limitations of this dissertation represent avenues for future research. Perhaps the most obvious possible topic for future research would be a comprehensive case study of a retailer that carries the framework for managing customer value forward into practical action. Besides illustrating the four perspectives at strategic and operational level, it would allow the validation and/or further development of the models and frameworks presented in the dissertation.

In addition, there are two interrelated areas for future study suggested by the digitalization of retailing. More in-depth consideration from the processual perspective on value is called for if we are to understand how information-based customer value is perceived and created over time. Another issue that could be explored is related to contextual value and especially to channel as a context. Digitalization bridges the channels, and measuring and modeling how customer

value is perceived and created in cross-channel and omni-channel environments is becoming more and more crucial for researchers and retailers alike. The insights and tools developed in the dissertation project could perhaps be complemented and refined by means of qualitative and quantitative research methods complemented with digital tracking data from real-world customer purchase processes.

Finally, the concepts of value and value propositions have recently been extended from dyadic relationships to wider and more complex settings. The studies in this area include examination of stakeholder perspectives on value (e.g., Frow & Payne, 2011), value propositions linking and enabling service systems and ecosystems (Ballantyne et al., 2011; Spohrer & Kwan, 2009), the co-creation perspective on value (Vargo & Lusch, 2008; Grönroos & Helle, 2010), and the concept of shared value (Porter & Kramer, 2011). With some rare exceptions (e.g., work on shared value tends to focus on economic and social value, and that on value co-creation acknowledges but seldom systematically conceptualizes the role of context), many of these conceptualizations fail to consider a) the inherent multidimensionality (e.g., with customer and company perspectives modeled in terms of economic, functional, emotional, and symbolic dimensions), b) contextual elements, and c) process (as seen in the pre-purchase, purchase, and post-purchase stages). Future research on customer value and value propositions might therefore benefit from applying the ideas developed in this dissertation.

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PART II
PUBLICATIONS



Decomposing the value of department store shopping into utilitarian, hedonic and social dimensions

Evidence from Finland

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Abstract

Purpose – The purpose of this paper is to decompose total customer value as perceived by department store shoppers into utilitarian, hedonic and social dimensions, and empirically test this conceptualization in a Finnish department store shopping context.

Design/methodology/approach – Data were collected by a questionnaire administered over three days at a department store that generates the second largest turnover in Finland. A total of 364 shoppers completed the questionnaire.

Findings – Empirical evidence supports our tripartite conceptualization of total customer value. In particular, social value is an independent construct. Further, social value varies by day-of-week, with a significant increase on Saturday (versus weekdays) when the store is more crowded, whereas no such differences in utilitarian and hedonic values were detected.

Originality/value – The principal contribution is a tripartite conceptualization of total customer value that incorporates utilitarian, social and hedonic value dimensions in a department store shopping context. Individually these dimensions are all well rooted in streams of consumer behavior literature, albeit mostly at the product or brand, not the store, level. Increasing our understanding of these softer aspects of shopping, particularly the social dimension, is important because they represent possible differentiating factors in the highly competitive and often commoditized retail markets.

Keywords Social values, Shopping, Department stores, Consumer behaviour, Finland

Paper type Research paper



Introduction

Customer value is a key concept in retail strategy and differentiation because it addresses “what they [customers] want and believe they get from buying and using a seller’s product” (Woodruff, 1997, p. 140). Creating and delivering customer value is a precondition for retailers to survive in today’s competitive marketplace. Many shoppers are looking for more than simply fair prices and convenience, the cornerstones of utilitarian value. Retailers who understand the multiplicity of motives for shopping have the best possibilities to create value for their customers. Instead of defining motivation to shop only as a function of buying, the role of hedonic and social shopping motives should also be recognized (Holbrook and Hirschman, 1982; Sheth, 1983; Tauber, 1972; Westbrook and Black, 1985). In response to these various motivations, we decompose total customer value as perceived by department store shoppers with respect to their shopping experience into utilitarian, hedonic and social dimensions.

While the experiential aspects of consumption – central to the study at hand – have been dubbed “hot topics” of the millennium (for a review, see Holbrook, 2000, 2001a, b), the phenomena itself is hardly new (Holbrook and Hirschman, 1982; Woods, 1981). Two decades ago Sheth (1983) proposed two kinds of shopping motivations: customer’s functional needs and non-functional wants. Retailers strive to deliver what customers need, but the most successful retail store concepts are often based on what customers want. More recently Solomon (2002, p. 299) noted:

Shopping malls have tried to gain the loyalty of shoppers by appealing to their social motives as well as providing access to desired goods. The mall is often a focal point in community . . . Malls are becoming giant entertainment centers, almost to the point that their traditional retail occupants seem like an afterthought.

Even mass retailers like Wal-Mart who compete on low prices have started to pay more attention to connecting with the social and emotional sides of their customers.

However, creating value is not costless, hence the need to understand the drivers of total customer value. This research effort is in response to the need for an expanded, yet still parsimonious, definition of total customer value that encompasses hedonic and social aspects of consumption. Its principal contribution is a tripartite conceptualization of total customer value that incorporates utilitarian, social and hedonic value dimensions in a department store shopping context. Individually these dimensions are all well rooted in streams of consumer behavior literature, albeit mostly at the product or brand, not the store, level (Arnold and Reynolds, 2003; Parsons, 2002). We measure and test if these three constructs capture customer value in a department store shopping context. Hedonic and social dimensions of customer value are seen as meaningful and important aspects that complement the traditional utilitarian perspective. Increasing our understanding of these softer aspects of shopping is important because they represent possible differentiating factors in the highly competitive and often commoditized retail markets. In the words of Tauber (1972, p. 49): “Many retailers would benefit by defining their business as being part of the social-recreational industry.”

Conceptual overview

A hierarchical structure of customer value may be represented by using a means-end chain (Woodruff, 1997; Zeithaml, 1988). Product attributes represent the lowest level in the customer value hierarchy. These attributes may be concrete or abstract, positive or negative. The extent to which these bundles of attributes are meaningful, i.e. perceived as benefits or sacrifices, depends on the customer's subjective goals and purposes. Goals and purposes represent the highest level of the customer value hierarchy. Although the highest level of the customer value hierarchy could cover a wide range of life values, those that relate to motivations to engage in department store shopping are the foci here. It is assumed that customer value stems from attributes and consequences that contribute to customer's instrumental goals and purposes (e.g. monetary savings and convenience) as well as those that are meaningful ends in themselves (e.g. to some, shopping is an adventure and/or social outing). The shopping experience, therefore, generates a variety of concrete and abstract benefits and sacrifices that contribute to total customer value that goes beyond the mere acquisition of physical products or core services.

In order to understand shopping motives, one has to consider the satisfaction provided by both shopping activities and the utility derived from the merchandise. Tauber (1972) asked a convenience sample of 30 people (half men, half women) to recall their most recent shopping trip (of any type), discuss their activities while shopping, and tell what they enjoyed about the trip. As a result, from a list of shopping activities and satisfactions, a number of hypothesized motives for shopping were classified ex post as either personal or social. He concluded:

If the shopping motive is a function of only the buying motive, the decision to shop will occur when a person's need for particular goods becomes sufficiently strong for him to allocate time, money, and effort to visit a store. However, the multiplicity of hypothesized shopping motives suggest that a person may also go shopping when he needs attention, wants to be with peers, desires to meet people with similar interests, feels a need to exercise, or has leisure time (Tauber, 1972, p. 48).

Consistent with Tauber's conclusion, Sheth (1983) proposes, but did not test, an integrative theory of patronage preference and patronage behavior theories, resulting in two separate models. The former model addresses shopping motivations and values, which he believed related to the choice of outlets to which one could shop. He proposed two shopping motives, one relating to functional needs and the other to nonfunctional wants. To quote:

- *Functional needs* are related to what have traditionally been referred to as time, place, and possession needs. Specific examples include such things as one-stop shopping, cost and availability of needed products, convenience in parking and shopping, and accessibility to the outlets.
- *Nonfunctional wants* are related to various shopping outlets as a result of their associations with certain social, emotional, and epistemic values. For example, many retail outlets acquire positive or negative images because of patronage by desirable or undesirable demographic, socioeconomic, and ethnic groups, or they arouse positive or negative responses such as masculine, feminine, garish, loud, or crude, because of store atmospherics, personnel, or business practices in general. Finally, customers do shop for novelty, to satisfy their curiosity, to reduce boredom, to keep up with new trends and events. These are all reflections of the epistemic, nonfunctional wants.

It is important to recognize that functional needs are clearly anchored to the outlet attributes, whereas nonfunctional wants are anchored to the outlet association. In this sense, functional needs are intrinsic to outlets, whereas nonfunctional wants are extrinsic to the outlets (Sheth, 1983, p. 15-16).

Parsons (2002) applied Tauber's (1972) personal and social motives as representative of Sheth's (1983) non-functional motives for shopping on the internet. He found that non-functional motives can be adapted to the twenty-first century mode of shopping, namely internet shopping. Because "softer" non-functional sources of motivations apply to the internet, to gain market share internet sellers should not focus solely on functional aspects.

Arnold and Reynolds (2003) focused on the hedonic motivations of shopping. They recognized six dimensions of hedonic shopping motivations: adventure, gratification, role, value, social, and idea shopping. By using these dimensions and additional background variables, five shopper types were profiled. But these authors are not alone advancing motivation-based shopper typologies – see, e.g. Westbrook and Black (1985) for a nice review and alternative perspective. Regardless of motivation typology, all of which acknowledge non-utilitarian aspects, being able to segment customers based on underlying motives lends support for the need to broaden our understanding of how customers derive value from the department store shopping experience *per se*.

Given the importance of customer value to marketers, it is not surprising that there is an abundance of definitions and conceptualizations of value that depend both on the context of the study and the methodology and measurement techniques used. Conceptualizing value as a simple ratio of quality and price (Gale, 1994) has been turned into a rich description of intrinsic and extrinsic benefits. Among these are instrumental (functional and cognitive) and non-instrumental (experiential and affective) benefits and sacrifices (Aylott and Mitchell, 1998; Babin *et al.*, 1994; Chandon *et al.*, 2000; Reid and Brown, 1996; Csikszentmihalyi, 2000). Store atmospherics, e.g. music, lighting and layout, can enhance the shopping experience, hence shopping value (Babin and Attaway, 2000; Bitner, 1992).

Holbrook (1994, 1999) defines customer value as interactive between a subject (customer) and an object (product). In addition, customer value is relativistic because it involves preferences among objects, it varies among people, and it is specific to the context. Value is, therefore, comparative, personal and situational. Further, value is the outcome of an evaluative judgment and thus preferential. Holbrook notes that value (singular) as an outcome differs from values (plural) that are used as standards, rules, criteria, norms, goals or ideals for the evaluative judgment.

Table I provides a flavor for the various conceptualizations provided by some of the aforementioned authors as well as others. What is striking is the lack of agreement. For our purposes customer value goes beyond product purchase (i.e. the outcome) to cover the whole shopping experience. Our objective is to demonstrate that total customer value within a department store shopping context consists of three dimensions: utilitarian and hedonic dimensions – which have attracted attention (Babin *et al.*, 1994; Arnold and Reynolds, 2003) – and a third, lesser understood dimension, social value.

Table I.
Definitions of customer value

Author(s)	Short description	Conceptualization/dimensions of customer value
Zeithaml (1988)	A hierarchical (means-end) model of consumer perceptions of price, quality and value. Value is a trade-off between benefits and sacrifices. Benefits include intrinsic and extrinsic attributes, perceived quality, and other relevant high level abstractions. Sacrifices include monetary and non-monetary prices, such as time, energy and effort. A literature review and in-depth interviews	Low price Whatever I want from a product The quality I get for the price I pay What I get vs what I give
Sheth <i>et al.</i> (1991)	Five independent consumption values that steer consumer behavior. Consumer choice is a result of these values. The concepts are empirically grounded in over 200 studies featuring different consumption situations	Functional value Social value Emotional value Epistemic value Conditional value Utilitarian value Hedonic value
Babin <i>et al.</i> (1994)	Shopping provides customer value instrumentally, and by being a pleasurable end itself. A questionnaire is developed for measuring personal shopping value	
Gale (1994)	Value equals quality relative to price. Quality includes all non-price attributes. Quality, price and value are relative	"Value is simply quality, however, the customer defines it, offered at the right price." (p. 26)
Butz and Goodstein (1996)	An emotional bond established between a customer and a producer after the customer has used product or service. When the customer believes that a product or service produces more benefits than the costs incurred, net customer value is perceived	Different levels of customer value Expected net value Desired net value Unexpected net value
Ravald and Grönroos (1996)	Conceptualizes customer perceived value from the relationship marketing perspective. The benefits and sacrifices are defined for both consumption situation (episode) and the customer-producer relationship itself	Total episode value = (Episode benefits + relationship benefits)/(Episode sacrifice + relationship sacrifice)
Anderson & Narus (1998)	Considers value in business markets. Value is the monetary worth of benefits that a customer company receives in exchange for the price it pays for a market offering	Value in business markets is the worth in monetary terms of the technical, economic, service, and social benefits

(continued)

Author(s)	Short description	Conceptualization/dimensions of customer value
Holbrook (1994, 1999) (see also 1982, 1985)	Customer value is an interactive relativistic preference experience. A typology of consumer/customer value is provided, where the value is a result of three dimensions: extrinsic/intrinsic; active/reactive self-oriented, other-oriented active/reactive	Efficiency Excellence Status Esteem Play Aesthetics Ethics Spirituality Utilitarian Hedonic
Chandon <i>et al.</i> (2000)	The benefits of sales promotion are defined as the perceived value attached to the sales promotion experience, which can include both promotion exposure and usage. The multibenefit framework is conceptualized and empirically tested by using questionnaire. Utilitarian benefits are monetary savings, quality and convenience. Hedonic benefits include value expression, exploration and entertainment	
Mathwick <i>et al.</i> (2001)	A study of experiential value reflecting the benefits of internet and catalog shopping. The four value dimensions are extracted by using Holbrook's (1994, 1999) classification of extrinsic-intrinsic and active-reactive sources of value. A questionnaire is developed for measuring experiential value	Playfulness Aesthetics Customer ROI Service excellence
Sweeney and Soutar (2001)	A study of customers' perceptions of value of a consumer durable good at a brand level. A questionnaire (PERVAL) is developed for measuring perceived value. Theory relies heavily on Sheth <i>et al.</i> (1991)	Emotional value Social value Quality/performance Price/value for money

Table I.

The proposed tripartite perspective of total customer value

Earlier research (Table I) has treated social value either as a lower level construct contributing to utilitarian and hedonic value (Chandon *et al.*, 2000), or modeled it as one of several dimensions comprising value realized from a consumer good (Sweeney and Soutar, 2001). Thus, for example, to capture the perceived social value inherent in a consumer durable good Sweeney and Soutar (2001) included measures such as: "If I bought or used this item, it would create a favorable impression of me." Our focus is the shopping experience provided by the retailer, not the brand. One of the many purchase related decisions is where to purchase; a brand may be available at multiple outlets. Our insights are, therefore, directed toward retailers. We conceptualize the total value of department store shopping as having three dimensions. Briefly, utilitarian value stems from monetary savings and convenience; hedonic value stems from exploration and entertainment; and social value is realized through status and self-esteem enhancement. These dimensions need not be orthogonal: a successful purchase of a product at a discount at the first store visited – perhaps with assistance from a friend one met while shopping – could yield multiple values (Babin *et al.*, 1994). We propose that in the department store shopping domain social value merits treatment as a separate, third construct because:

- social aspects of consumption have been acknowledged (Belk, 1988; Holbrook and Hirschman, 1982; Solomon, 1983; Bellenger and Korgaonkar, 1980) and thus deserve to be considered a separate dimension; and
- modeling social value as a separate construct will test its relevance in the shopping domain. If supporting evidence is realized, it would add conceptual clarity to what comprises the global construct, total customer value.

Figure 1 shows the proposed model. A more detailed account of the three dimensions is summarized in Table II.

Utilitarian value

The utilitarian perspective is based on the assumption that consumers are rational problem-solvers (Bettman, 1979). As a result, the utilitarian perspective stresses functional, product-centric thinking, and research has focused on consumer decision processes. Consumption is understood as a means to accomplish some predefined end. Therefore, the consumer is seen as a utility calculator, *Homo Economicus*.

Shoppers experience utilitarian value when their task-related needs are fulfilled. Therefore, utilitarian value is characterized as instrumental and extrinsic (Babin *et al.*, 1994; Holbrook, 1999; Holbrook and Hirschman, 1982). Monetary savings and convenience contribute to utilitarian value. Monetary savings reduce the pain of paying (Chandon *et al.*, 2000); therefore, utilitarian value can be increased when a customer is able to find discounted products or when prices are perceived to be less than those at competing stores.

Convenience can be defined as a ratio of inputs to outputs, time and effort being the relevant inputs (Holbrook, 1999; Seiders *et al.*, 2000). As Seiders *et al.* (2000) point out, in order to provide customers convenience one must understand the "retail experience from drive in to check out" and find ways to "maximize the speed and ease of shopping." They define four different kinds of convenience which stem from the speed and ease with which consumers can:

- (1) reach a retailer (access convenience);
- (2) identify and select the essential products (search convenience);
- (3) obtain desired products (possession convenience); and
- (4) effect or amend transactions (transaction convenience).

Our analysis involves a store within a shopping mall, hence the convenience aspects focused on are search and possession.

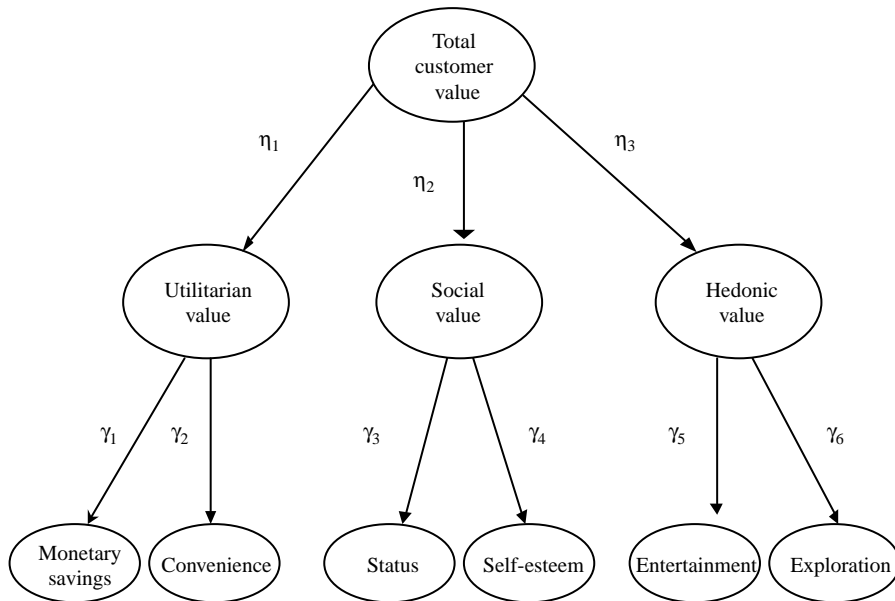


Figure 1. The structural model: utilitarian, social and hedonic value contribute to total customer value in a department store shopping context

Dimension	Utilitarian	Social	Hedonic
Perspective/view	Cognitive information-processing	Symbolic interactionism	Experiential
The purpose of consumption	Means to some predefined end	Means to communicate and define a social role and self-concept by using symbolism	An end in itself
Criterion Benefits	Economical Monetary savings, convenience	Social Status, self-esteem	Emotional Entertainment, exploration
Sacrifices	Money, time and effort	Shame, cognitive dissonance	Stress, negative emotions
Consumer type	<i>Homo Economicus</i>	<i>Homo Faber</i>	<i>Homo Ludens</i>
	Objective and instrumental ↔ Subjective and self-purposeful		

Table II. Summary of the three dimensions comprising total customer value

Hedonic value

Consumption experience as an end valued for its own sake became a topic of interest among consumer researchers in the early-1980s. The experiential view highlighted three F's – fantasies, feelings and fun – that represented the hedonic aspects of consumption (Holbrook and Hirschman, 1982).

Hedonic consumption designates those facets of consumer behavior that relate to the multisensory, fantasy and emotive aspects of one's experience with products (Hirschman and Holbrook, 1982, p. 92).

The experiential consumer may be called *Homo Ludens*, a man guided by his senses and wants. In the late-1990s the experiential view attracted interest through the experience economy, a term coined to describe “a new economic offering” (Pine and Gilmore, 1999) that customers wanted to “sense, feel, think, act and relate” (Schmitt, 1999).

Shoppers realize hedonic value when the act of shopping is appreciated in its own right, irrespective of getting planned purchases done. Hedonic value is characterized as self-purposeful and self-oriented (Babin *et al.*, 1994; Holbrook, 1999). Compared with utilitarian value, hedonic value is abstract and subjective. Entertainment and exploration are considered to contribute to hedonic value. Many researchers have compared today's shopping experience to that provided by a theme park or a theater (Pine and Gilmore, 1999; Schmitt, 1999; Wolf, 1999). Themed environments, shows or other events, contests, in-store restaurants, benches and overall store atmospherics make the shopping experience more entertaining and thus provide hedonic customer value (Babin and Attaway, 2000; Chandon *et al.*, 2000; Holbrook, 1999; Pine and Gilmore, 1999; Schmitt, 1999; Turley and Milliman, 2000). Hedonic value realized through entertainment is a reaction to aesthetic features. For some, the mere act of “being in store” creates positive emotions, hence value.

Exploration provides hedonic value when customers appreciate the excitement of product or information search (Babin *et al.*, 1994; Chandon *et al.*, 2000). Compared to entertainment, exploration is pursued actively, and can be characterized as play (Holbrook, 1999). In other words, shopping is an adventure, creating enjoyment from such activities as window shopping, browsing, bargain hunting, and variety seeking (Babin *et al.*, 1994; Hausman, 2000). Buying is not an essential function of exploration: “shopping with a goal [i.e. buying] can be distinguished from shopping as a goal” (Babin *et al.*, 1994, p. 647). Shoppers enjoy touching, trying and browsing products, and visiting different departments (Sandikci and Holt, 1998).

Social value

The social dimension of consumption can be understood through a symbolic interactionism perspective which emphasizes the importance of products in setting the stage for the multitude of social roles that people play (Belk, 1988; Solomon, 1983). From the symbolic interactionism perspective the consumer is seen as *Homo Faber*. Shopping represents a social act where symbolic meanings, social codes, relationships, and the consumer's identity and self may be produced and reproduced (Firat and Venkatesh, 1993). Patronizing a department store that has certain store attributes/atmospherics (or buying and using certain products) depends on how a customer wants to be seen and/or how she wants to see herself (Erdem *et al.*, 1999;

Sheth *et al.*, 1991; Sirgy *et al.*, 2000; Sweeney and Soutar, 2001). In other words, the act of shopping can provide a symbolic benefit, as customers are able to express their personal values through the consumption experience (Chandon *et al.*, 2000). According to the symbolic interactionism perspective, the “cues” present in a retail shopping experience are used by individuals in assigning meaning to others as well as in assigning social identity to themselves (Belk, 1988; Solomon, 1983). Thus, we view social value as an independent dimension of total customer value (albeit one that can covary with the other two proposed dimensions). Many of us may have perused products at stores that clearly push our financial capabilities, perhaps with little intention of purchasing, but the process of doing so enhances our status and/or self-esteem, which contribute to social value.

Status enhancement is a benefit attained by using symbolic features in communicating signs of position or membership to others. It has been suggested that status seeking has its origin in materialism and that it is connected to conspicuous consumption (Babin *et al.*, 1994; Richins and Dawson, 1992; Veblen, 1967). Status is actively pursued, cognitive, intentional and instrumental (Holbrook, 1999; Chandon *et al.*, 2000). Individuals that engage in status enhancement are characterized as high self-monitors, who are mainly concerned with how they play their role, i.e. what kind of impression they give to others (Browne and Kaldenberg, 1997).

Self-esteem enhancement is a benefit experienced when symbolic features derived from the company, store, products, personnel and other customers are attached to self in order to define and maintain one’s concept of self. Shopping is an environment where customers stroll, gaze and are gazed upon. In addition, symbolic properties may be used in emphasizing unique traits. Shopping experiences may sometimes carry personal meanings so important that they are characterized as “sacred or magical” (Belk, 1988; Csikszentmihalyi, 2000; Holbrook, 1999, 2001b; Solomon, 1983).

In the next section we provide empirical evidence that supports our tripartite perspective of total customer value.

Empirical analysis

Data were collected by a questionnaire administered over three days at a department store that generates the second largest turnover in Finland. In our case, the department store is an anchor store in a large mall that has become a destination shopping location, attracting customers from long distances. Wakefield and Baker (1998) found the “tenant variety” as an important construct explaining the attractiveness of a mall. Because the data include customers from many parts of Finland, we see this as strength in our study[1].

Theory on customer motivations and values reviewed earlier in conjunction with results from qualitative research were used in questionnaire design. Qualitative research was conducted in order to illuminate the salient shopping benefits, customer value dimensions and their relation to the customer value formation process. Six shoppers were theme-interviewed using a laddering technique recommended by Woodruff (1997) and Vriens and Hofstede (2000). The interviewees were first asked to describe the purpose of their shopping trip, main purchases made, and an evaluation whether or not the shopping experience matched their needs and expectations. Based on their descriptions the interviewer asked more about the positive and negative aspects of the shopping experience. Themes – in our case value dimensions – were not

given to the interviewees during the interviews, but more specific questions concerning the perceived benefits and sacrifices were asked in the order that the interviewee mentioned them. The results provided support for both the proposed model and questionnaire.

Our study uses statements that reflect the perceived benefits in order to capture utilitarian, social, and hedonic value dimensions. A five-point Likert scale response format was used in the data gathering. Using only benefit constructs (and not measuring sacrifices) may be a limitation, but a common way to proceed when value dimensions are investigated (Mathwick *et al.*, 2001; Chandon *et al.*, 2000)[2].

In order to increase reliability several aspects of data collection were carefully considered. The first objective was to minimize memory-based bias. This was done by focusing on the shopping experience that had just taken place in the department store the data were collected. A shopping experience that took place minutes ago is easy for respondents to recall; this would not have been the case if data gathering had been by telephone or mail survey. Moreover, using a specific shopping excursion at one store as an object of inquiry makes more salient the strategic implications that creating social value can have when differentiating retail stores than would be the case had we investigated shopping in general. Customers were asked to take part in a survey “investigating general aspects of the in-store shopping experience.” Customers who agreed to participate were taken to a lounge where the questionnaire was explained and administered. Those customers who completed the questionnaire were given a voucher for a meal at any of the restaurants located in the mall.

Our primary purpose was to decompose total customer value into three dimensions: utilitarian, hedonic and social. Thus, first the existence of these three dimensions needs to be established. However, to show that these dimensions have clear managerial relevance, a second goal was to show that these dimensions can be influenced. We choose an exogenous moderating variable to test, namely day-of-week. It seems reasonable to assume that these dimensions would be affected by the day-of-the-week that shopping takes place; afterall, the number of shoppers is affected by holidays, day-of-week and weather variables (Parsons, 2001). Store patronage is greater Saturday than during the week, which would suggest that if the social value dimension can be established, we might find that its effect is moderated (increased) on the weekend because the greater number of customers would increase the likelihood of status enhancement. Data collection was, therefore, executed during three days: Thursday, Friday and Saturday. It was anticipated that all three dimensions would be supported (Figure 1); and that the relative contribution of the three second-order constructs comprising total customer value would vary by day-of-week, with social value in particular exhibiting its strongest effect on weekends when the store is most crowded.

Sample characteristics

The sample consisted of 364 questionnaires, 54.1 percent of which were from female respondents. The number of non-participants was 96 (21 percent of the total). Non-participants were customers who were asked to answer the survey, but declined to do so. For non-participants, gender and an estimate of age were recorded. Comparison of age and gender among participants and non-participants does not reveal any

significant differences, indicating that the sample is free of bias in this respect. Sample characteristics are presented in Table III.

Measurement models

The first step was to estimate three measurement models, one for each of the three value dimensions, to establish construct validity. Because the scale of each first and second order factor is indeterminate, the scale was fixed by setting one loading equal to one, as seen in the lower two-thirds of Figure 2. The estimated loadings for all three models were significant: *t*-values varied between 5.33 and 13.64. The *R*²-values of basic variables varied between 0.23 (COA) and 0.90 (ENC). These results provide support that the individual constructs are valid. The next step was to run the complete model shown in Figure 2.

	Participants	Non-participants
<i>Gender</i>		
Male (percent)	45.9	44.8
Female (percent)	54.1	55.2
<i>Age</i>		
Mean	37.25	40.67
Median	37	40
Standard deviation	14.78	9.77
<i>N</i>	364	96

Table III.
Sample characteristics:
participants vs
non-participants

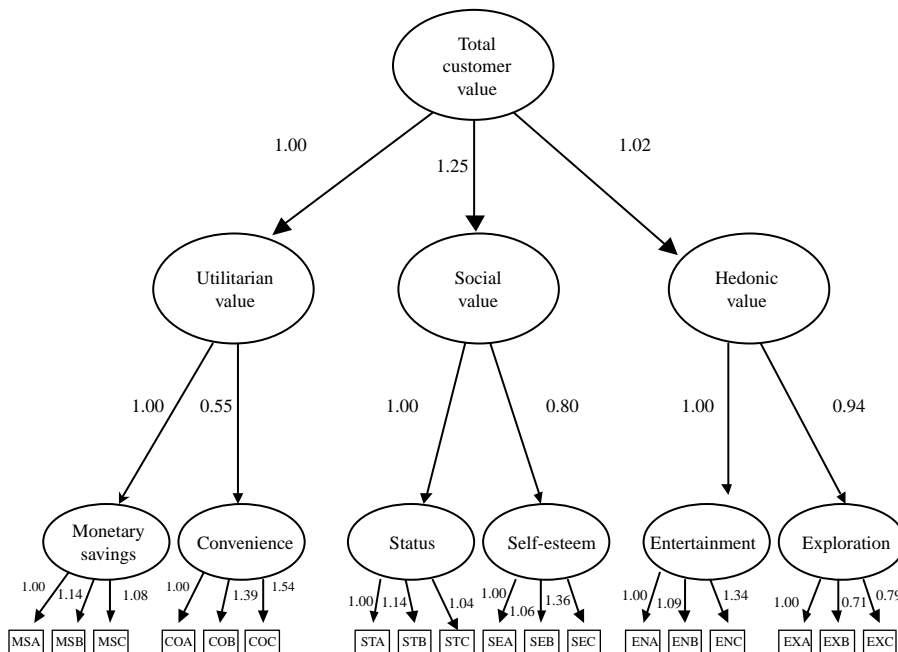


Figure 2.
Estimates of the
final model ($\chi^2 = 371.28$;
d.f. = 129; $p < 0.001$)

Complete model

In the complete model the second order factors were allowed to correlate – as noted earlier, a shopping excursion can yield multiple benefits. We hypothesized that the total customer value provided by the shopping experience is hierarchically organized with utilitarian, social and hedonic value operating as second order factors. The *t*-values for first-order factors vary between 6.96 and 14.59 (Table IV), and for second-order factors between 5.76 and 11.13 (Table V). The overall $\chi^2 = 371.28$, $df = 129$, $p < 0.001$ (Figure 2). All estimated parameters are significant ($p < 0.001$). The proposed model provides a good fit to the data and can, therefore, be considered nomologically valid. The overall goodness of fit is 0.89 and the root mean square residual is 0.074. Independence AIC results in 6250.11 and model AIC in 455.28. The correlation between second order factors is positive, as expected. The estimated loadings together with their *t*-values and R^2 -values for first-, second- and third-order constructs are given in Tables IV-VI. In three cases the estimated R^2 -values were above unity, noted as HC in the right-hand column of Tables V and VI. This corresponds to the “Heywood case”, which is common in studies similar this (Rindskopf, 1984). This does not have a significant effect on the results[3].

Measure (translated from Finnish)	Coefficients	<i>t</i> -value ^a	R^2 -value
<i>MSA</i> I saved money when I shopped here	1.00	na	0.54
<i>MSB</i> I made inexpensive purchases	1.14	14.01	0.70
<i>MSC</i> I got my purchases done cheaper than if I had made them elsewhere	1.08	13.61	0.64
<i>COA</i> I was able to get everything I needed at one stop	1.00	na	0.23
<i>COB</i> I was able to shop without disruptive queuing or other delays	1.39	6.96	0.45
<i>COC</i> I was able to make my purchases conveniently	1.54	7.03	0.55
<i>STA</i> Patronizing this store fits the impression that I want to give to others	1.00	na	0.41
<i>STB</i> I am eager to tell my friends/acquaintances about this shopping trip	1.14	11.10	0.54
<i>STC</i> I feel that I belong to the customer segment of this store	1.05	10.36	0.45
<i>SEA</i> I found products that are consistent with my style	1.00	na	0.26
<i>SEB</i> I felt like a smart shopper, because I made successful purchases	1.06	7.52	0.30
<i>SEC</i> This shopping trip gave me something that is personally important or pleasing for me	1.36	8.66	0.49
<i>ENA</i> I enjoyed this shopping trip itself, not just because I was able to get my purchases done	1.00	na	0.47
<i>ENB</i> I was having fun	1.09	12.60	0.56
<i>ENC</i> In my opinion, shopping around was a pleasant way to spend leisure time	1.34	14.59	0.85
<i>EXA</i> I felt adventurous and wanted to visit different departments in order to find interesting products	1.00	na	0.72
<i>EXB</i> I was looking for insights and new ideas to buy	0.71	10.65	0.37
<i>EXC</i> I wanted to explore/touch/try different products while shopping	0.79	11.83	0.45

Table IV.
Coefficients, *t*-values
and R^2 -values of
first order factors

Note: ^aThe metric for each scale was established by fixing the coefficient for one indicator to 1.0 for each factor (see Figure 2)

The effect of day-of-the-week

The next step was to determine the benefit, if any, of isolating the social value construct. We hypothesized that social value would increase from weekdays to Saturday because of the greater number of customers on the weekend. As noted previously, enhancing one's status – which requires the presence of others – contributes to social value.

Data were collected on Thursday (27.7 percent), Friday (35.4 percent), and Saturday (36.9 percent). The purpose was to examine whether model parameters differed between weekdays (Thursday and Friday were combined) and Saturday. As before, measurement models were allowed to vary freely in each case. Three tests were performed using a χ^2 test, results of which appear in Table VII. These tests indicate that there is a significant difference between weekdays and Saturday by the second order constructs on the third level, total customer value. Specifically, the significant difference lies in test 1: social value parameters are not equal between weekdays and Saturday. The social value parameter estimate was 0.90 on weekdays and 1.86 on Saturdays, a twofold increase (Table VIII). Thus, on Saturday the social value is significantly greater, as hypothesized. Hence, the relative contribution of social value varies by day-of-week. This is particularly interesting since social value is introduced here as an independent shopping value dimension that complements utilitarian and

	Coefficients	<i>t</i> -value ^a	<i>R</i> ² -value
Monetary savings	1.00	na	0.56
Convenience	0.55	5.76	0.40
Status	1.00	na	HC
Self-esteem	0.80	8.20	0.99
Entertainment	1.00	na	HC
Exploration	0.94	11.13	0.58

Table V.
Coefficients, *t*-values and *R*²-values of second order factors

Note: ^aThe metric for each scale was established by fixing the coefficient for one indicator to 1.0 for each factor

	Coefficients	<i>t</i> -value ^a	<i>R</i> ² -value
Utilitarian value	1.00	na	0.86
Social value	1.25	8.91	HC
Hedonic value	1.02	8.33	0.58

Table VI.
Coefficients, *t*-values and *R*²-values relevant to total customer value

Note: ^aThe metric for each scale was established by fixing the coefficient for one indicator to 1.0 for each factor

Construct	χ^2	df	<i>p</i> -value
Social value	11.41	1	<0.001
Hedonic value	0.70	1	0.403
Utilitarian value	0.32	1	0.572

Table VII.
Tests for equality of parameters between weekdays and Saturday

hedonic value. There was no significant difference between weekdays and Saturday for the latter two dimensions.

Discussion

To create and deliver customer value retailers are pursuing differentiation strategies, adding hedonic and social value in an effort to increase customer patronage. Unfortunately doing so is not costless, hence the need to better understand the drivers of total customer value. Successful retailers understand that customer value encompasses concrete and abstract aspects of the shopping experience, from entrance to check-out, and from choice (buying) to using (consuming) and experiencing. This research responded to the need for an expanded definition of customer value that emphasizes experiential and social aspects of consumption. The principal contribution is the tripartite conceptualization of total customer value that incorporates utilitarian, social and hedonic value dimensions in a department store shopping context.

The results suggest several managerial implications. On the basis of the results of this study, we can repeat the proposition that was originally presented three decades ago: “Many retailers would benefit by defining their business as being part of the social-recreational industry” (Tauber, 1972, p. 49). We have provided empirical support for this proposition.

Orchestrating a value providing shopping experience calls for an understanding of the relationships between benefit and value dimensions. As is true with brand management, at best only a small number of retailers can pursue a cost leadership strategy, i.e. emphasize value and convenience, for example, through an everyday-low-price strategy – a strategy fundamentally at odds with increasing hedonic and social value. Others must, therefore, differentiate by creating hedonic and social value, the costs of which must be recovered via higher product prices or a greater quantity of sales per customer. Creating hedonic value is common. Upscale stores, for example, have maze like floor layouts, put-up extensive seasonal adornments, and let consumers use/play with product offerings. Our insights suggest expending effort that boosts one’s status or self-esteem could be a viable differentiation strategy as it would create social value. Using narrowcast media directed toward specific segments and incorporating messages that appeal to esteem needs are means of doing so. Another is to train and retain “expert” salespersons that dress and act like the store’s desired clientele. Thus, by becoming aware of the utilitarian, social and hedonic dimensions that comprise total customer value, and the benefits that customers associate with these dimensions, the concept of customer value can be used as a managerial tool in planning advertising and promotions, segmentation strategies, managing store atmospherics, and in staging integrated and memorable shopping experiences.

Table VIII.

Structural model parameter estimates for weekdays and Saturday ($\chi^2 = 950.29$, $df = 418$, $p < 0.001$)

Parameter estimates	Weekdays	Saturday
η_1 (Utilitarian value)	1.00 ^a	1.00 ^a
η_2 (Social value)	0.90	1.86
η_3 (Hedonic value)	0.71	0.79

Note: ^aUtilitarian value is treated as a reference value: the parameter estimates for social and hedonic value are compared to utilitarian value

Utilitarian value can be seen as the bedrock that is a precondition for business, but is in itself often unable to differentiate the company and its products from the competition. Complementing utilitarian value with hedonic and social dimensions of customer value is where the real edge is.

Limitations and suggestions for future research

Although this study was carried out in an authentic retail setting consisting of actual shoppers, the results should be interpreted with a several caveats in mind. One, the results have been accomplished in a shopping goods environment. Hence, caution should be exercised in generalizing the results to other areas of retailing, such as grocery shopping. Two, the use of questionnaires and statistical methods of analysis is often criticized when studying experiential and symbolic aspects of consumption. The conceptualization of some constructs might benefit from more thorough use of qualitative methods, such as in-depth interviews and narrative analyses in future research. And finally, sacrifices were not conceptualized nor measured in this study. Overall, there is a lack of empirical validation and modeling of sacrifices in general and of psychosocial sacrifices in particular. Both theory and practice would benefit from a causal model addressing the role and importance of sacrifices, since in some areas of retailing it is easier – and cheaper – to increase value by cutting down psychosocial sacrifices than by adding more benefits.

Notes

1. A referee did note that whether a customer arrives alone or with friends/family may impact the social nature of the shopping trip. The majority of respondents arrived with friends or family; only 5 percent reported that they were shopping alone. The authors agree that having company during the shopping experience could influence value perceptions. However, social value could still occur when shopping alone: status enhancement may take place when interacting with service personnel and self-esteem enhancement may happen when the shopping experience results in “smart shopper” feelings. Unfortunately, with our data and methodology we are unable to address the influence of friends and family on perceptions of social value, and feel that answering this interesting question is best done in a future study.
2. As noted by a referee, the role of sacrifices, and the relative importance of benefits to sacrifices, are significant research issues, and are of special interest when the dynamics of evaluative trade-off processes are researched in more detail. However, the purpose of our paper is to model value dimensions, not the dynamics of the trade-off between benefits and sacrifices.
3. Cross-loadings can be added to the first-order factors which marginally improves the fit while eliminating some of the Heywood cases, but we consider this an unnecessary complication of the analysis. Doing so does not change the conclusions reached by the model presented.

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Identifying competitive customer value propositions in retailing

Customer value propositions

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Abstract

Purpose – The purpose of this paper is to develop a framework for identifying competitive customer value propositions in retailing.

Design/methodology/approach – The paper draws on existing literature on customer value and competitive advantage in order to form an understanding of the key dimensions of customer value, developing a hierarchical model of value propositions and establishing a link between customer value and competitive advantage.

Findings – The work suggests a framework for identifying competitive customer value propositions (CVPs) where four hierarchical key dimensions of customer value – economic, functional, emotional, and symbolic – are first identified. In the second stage, a CVP is developed on the basis of these value dimensions. In the third stage, the CVP is evaluated for competitive advantage. It is proposed that economic and also functional CVPs are more likely to represent points of parity, whereas emotional and social CVPs represent points of difference for retail companies seeking differentiation from their competition and gaining of competitive advantage.

Originality/value – Identifying competitive CVPs, the paper combines a hierarchical perspective on customer value and the concept of competitive advantage in a manner that offers managers a strategic positioning tool that links the customer's value needs to company resources and capabilities.

Keywords Customers, Competitive advantage, Product positioning, Retailing

Paper type Conceptual paper

Introduction

The competitive advantage of successful service providers and retailers is often explained with a logic wherein service quality contributes to customer value, resulting in increased satisfaction and behavioral intentions, eventually creating loyalty that manifests itself in enhanced profitability (see, for example, Cronin *et al.*, 2000; Slater and Narver, 1994; Wang *et al.*, 2004; Webster, 1994a). Of these concepts, customer value is by definition customer-centric, but it also can be formulated as a proposition capturing the essentials of the company's offering. From the customer's perspective, customer value can be seen as a more personal and holistic view on quality: it is a subjective assessment of both positive and negative consequences of using a product or a service, the ultimate reason that people buy what they buy (Sheth *et al.*, 1991; Woodruff, 1997). From the company's perspective, these buying motives should be captured in a customer value proposition (CVP), making it a strategic priority issue in areas such as segmentation, service development, and marketing communications. Hence, customer value links the customer and the company in a way that makes the concept especially appealing in the context of understanding the success of best-practice companies.



Chapter 9

Creating Information-Based Customer Value with Service Systems in Retailing

Timo Rintamäki and Lasse Mitronen

Abstract With the advent of mobile technology, addressing the information needs of customers across channels has become a key source for value creation. Also, this information-based value creation has implications for how retailers design and manage their customer value propositions for competitive advantage. As our data from the USA, Japan, and Finland show, shoppers already use multiple channels for their prepurchase, purchase, and post-purchase activities. Understanding the roles of different channels in the individual stages of the customer experience provides valuable input for service system development. Those retailers who have mastered the planning of service systems and consider their implications for information-based value creation can avoid being stuck as an endpoint of logistics.

Keywords Customer value propositions • Information value • Multichannel retailing • Service systems

1 Introduction

Across industries, new ways to create competitive advantage are often found in the emerging innovative uses of information. And this time, the basis for the competitive advantage is not a scarce resource. Quite the contrary, in most modern organizations, the volume of data is expanding by 35–50 % every year. This is represented by the need to process 60 terabytes of information annually—a thousand times more than a decade ago (Beath et al. 2012). What is scarce is competence to harvest the benefits of information, especially in a way that benefits the customer. Thaler and Tucker (2013) have coined the term “choice engine” to describe technologies that enable vast quantities of data to become meaningful and timely information for customers and for citizens in general. These “choice engines” are made possible by

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the smart disclosure of government- and company-maintained information and/or usage data in machine-readable form. As Thaler and Tucker show, both the public and the private sector have vast possibilities to contribute in this respect. On the public side, initiatives such as data.gov in the USA and the UK's data.gov.uk release datasets and invite private-sector organizations to develop applications and tools, with the results including better services for citizens and also opportunities for existing and new businesses. Private-sector companies are also strongly in the game of smart disclosure. Tesco, for instance, has plans to offer its loyalty-card users planning and goal-setting functions based on shopper histories—showing new thinking on utilization of usage data. The source of the data notwithstanding, we believe that these examples witness times of a new logic for value creation: information-based value creation.

However, there are often wide gaps between raw data, the technical solution, and a happy customer. Bridging the scattered bits of decision data and the actual contextual decisions requires not only accessible information and technology but also access to customers' contexts and meaningful interactions between customers and the organization. In other words, a service system (see, e.g., Mele and Polese 2011) is needed if smart disclosure and “choice engines” are to be possible. While many organizations struggle with this challenge, some innovative incumbents, along with numerous start-ups, focus on designing and managing service systems that use this information to enhance value creation for their customers. Perhaps surprisingly, we see retailing as one of the areas wherein the change has been—and can continue to be—truly translational: it is an area that is strongly related to the everyday needs and wants of consumers, offering plenty of potential for helping people in day-to-day life, and it requires a multidisciplinary approach, for finding new solutions based on service logic and the value of timely information.

To this end, we set out to explore here how information-based customer value can be created in retailing and what kinds of challenges and possibilities it offers for service systems' design. Theoretical background is organized around the discussion of value creation in a retail context and the role of service system design in its facilitation. In order to illustrate the key concepts and ideas, we use shopper data based on surveys of smartphone users from the USA, Japan, and Finland, putting the focus on how customers use offline, online, and mobile channels in their prepurchase, purchase, and post-purchase activities. The mobile channel is given special emphasis because it has a potential role in bridging the offline and online channels. Differences among the three countries are presented, and the results are used as identifying criteria for service system design across service channel boundaries.

2 Retail Transformation Through Service

Theoretical background for this paper is presented in two subsections. In the first of these, service science and service-dominant logic are suggested as a theoretical perspective for understanding the recent developments in retailing that manifest

themselves through customer-centric development of information systems and channel integration. The second subsection addresses the value creation in the multichannel environment, where the information is utilized across channels for the benefit of the customer. The resulting cross-channel retail environment provides a context and tools for information-based value creation in retailing. Value is a key phenomenon and construct, and, hence, its creation is approached from customers' and not merely the retailer's perspective. Argument is made also that there is a role for information in value creation.

2.1 Service Thinking as a Driver for Repositioning the Role of Information Systems in Retailing

As in many other areas of business, information systems have had a key role in retail innovations as significant changes have taken place in the operating environment. However, the role of information systems has until recently been based mainly on inside-out logic, focused on how production-oriented resources and activities can be more efficiently and effectively managed through information and technology. In other words, information systems have enabled more efficient backstage processes for retailers and their value chain. For instance, the developments that are characteristic of the entire field have comprised new ICT for international procurement for utilization of both electronic and real-time information transfer between organizations (EDI) and also for the utilization of product-specific information (POS/EPOS and e-commerce systems). Other noteworthy information-exchange-based innovations have included Efficient Consumer Response (ECR), the implementation of product group management (category management), the shifting and merging of roles in retail and wholesale trade, mergers of trade companies, and the increased importance of customer relations (customer relationship management, or CRM) as part of integrated marketing. As a common feature, the role of the customer in the information system has remained somewhat passive.

As a more recent development, outside-in thinking has gained stronger impetus among the innovators of retailing, with some information systems having been opened up for retail customers too—i.e., shoppers. Instead of focusing on the strengths and the prevalent modus operandi of the focal organization, the inside-out strategist looks at the market and asks questions such as “how can we deliver new value to our customers?” and “what new capabilities do we need?” (Day and Moorman 2010, 5). Indications of these new ways to open up and further develop information systems to create new value for shoppers can already be seen in many retailers' operations: customers can see real-time inventory status, access their loyalty-card/consumption data, and order and pay for products online. However, the real change can be seen as some leading incumbents and agile newcomers build their key competencies on outside-in thinking: instead of being the endpoints of logistics, they develop new information-based service models. This requires an in-depth understanding of how customers select and use their products, alongside

development of ways to support customers in these processes. For instance, consider how Amazon.com and the Japanese Rakuten have systematically developed tools for customers to find, compare, select, experience, and review products. Then think about how many information systems have been integrated to achieve this and what a different mindset and set of competencies it has required.

The shift from inside-out to outside-in thinking and the emphasis on information and new capabilities can be identified and argued for from the perspective of service-dominant logic (Vargo and Lusch 2004, 2008) and service science (management, methods, engineering, and design) (Maglio and Spohrer 2008). For these streams of research, service is about applying information and skills as the key competencies for the benefit of another party (Vargo and Lusch 2004, 2008) and about co-creation of value among multiple entities (Spohrer and Maglio 2010; Demirkan et al. 2011)—in other words, to do with how customers, other people (employees and other stakeholder groups), information, and technology can be managed as a service system for value co-creation (Mele and Polese 2011; see also Maglio et al. 2009). When the information systems are designed and managed so as to create value for the customer, they have potential to form the foundation for a modern service system.

Perhaps the most important and concrete change in how shoppers shop and how retailers do business has been the introduction of multichannel and cross-channel (and omni-channel) retailing (Deloitte 2012; Rigby 2011; Zhang et al. 2010). Resmini and Rosati (2011, p. 54) illustrate this thus: “Everyday shopping does not concern itself with the convenience store or supermarket only, but configures a process that may start on traditional media, include the Web, proceed to another shop to finalize the purchase, and finally return to the Web for assistance, updates, customization and networking with other people or devices.” Compared to traditional multichannel retailing, cross-channel solutions are aimed at synergy and coherence among the channels. Moreover, channel integration for seamless shopping experiences calls for resources that utilize the dynamics between channels, whether they are channels for sales, communication channels, or tools for decision-making. Chatterjee (2010, 10) explains the difference between multi- and cross-channel as involving two separate strategic options: operate multiple channels as independent entities (in a multichannel strategy—i.e., order and pick up in-store, order online or by telephone, and get the product delivered) or integrate multiple channels, allowing cross-channel movements of products, money, and information (in a cross-channel strategy—order online/pick up in the store, order in-store, and get the product home-delivered). When the multichannel solutions are designed and integrated from the customer’s perspective, cross-channel service is created.

Cross-channel retail service can be defined as a service system, because it consists of at least a pair of entities (e.g., a provider and customer), their interactions, and sharing of access to configure resources for mutual value creation (Spohrer and Maglio 2010; Demirkan et al. 2011). Of the four dimensions of a service system as proposed by Mele and Polese (2011), the role of technology and that of information are emphasized in the cross-channel retail context. Not only the quantity of data poses a challenge; its nature does too: data are often unstructured and stored in various formats, so they are not easily interpreted or retrieved. Beath et al. (2012) give examples of the

explosion of both structured and unstructured data. The body of structured data grows as organizations introduce and develop systems such as enterprise resource planning systems, management systems, CRM systems, and technologies such as RFID. Unstructured data, on the other hand, are all about scattered materials, e-mail messages, videos, images, etc. Beath et al. (2012, p. 18) note that “at most organizations, generating business value from increased amounts of data is still an aspiration.” However, this type of data is often cocreated with customers (Novani and Kijima 2012). As a context, social media has seen the development of many algorithms designed to make sense of unstructured data. For instance, Walmart’s Shopycat application experimented with an algorithm on Facebook that analyzed social-media discussions and, from the results, matched gift suggestions to the friends of Walmart shoppers.

2.2 *Customer Value Propositions in the Age of Information*

The value proposition is a key concept for understanding service systems and an essential element of customer-oriented retail strategy for competitive advantage (Payne and Frow 2014). In the context of service systems, a value proposition is a value co-creation mechanism that communicates a mutually agreeable plan to collaborate and cocreate value (Spohrer and Kwan 2009). The retailer has an important role as a resource integrator who links in consumer customers, just as much as it does the collaborating companies and other stakeholders, around a common value proposition (Lusch et al. 2007). The value proposition also provides motivation for all parties to reconfigure the actual resources or access rights to resources. In addition, it acts as the “glue” between the systems, making it possible to refine new value by connecting existing databases, as in the case of Amazon (e.g., synthesizing product data, content rating data, and customer review data with customers’ preference and purchase-history data).

When brought into the retail strategy domain, value propositions (specifically, customer value propositions) describe a market positioning for competitive advantage (Anderson et al. 2006). A sound customer value proposition should increase the benefits and/or decrease the sacrifices that customers perceive, build on those competencies and resources that can be better utilized than competitors’, be unique and hence recognizably different from the competition’s, and result in competitive advantage (Rintamäki et al. 2007; see also Webster 1994). Hence a competitive customer value proposition steers the use of resources and competencies in addition to marking a market positioning in the minds of the customers.

In the context of retailing, Rintamäki et al. (2007) identify customer value propositions along four dimensions of customer value: economic, functional, emotional, and symbolic value. Economic value is judged in monetary evaluation of products and services. Hence, the focus is on price. Functional value is expressed as savings on time, physical effort, and the cognitive cost of decision-making. The goal is also to make sure that the right customers end up with the right products and services. Accordingly, it also encompasses traditional perspectives on product quality and

product selection choices. Functional value thereby moves the focus from price to solutions. Emotional value results from the positive feelings and emotions that products and services stimulate. Accordingly, the focus is on the evaluation of the customer experience: how to build preference and add stimulation and/or enjoyment of shopping. Symbolic value moves the focus to the meanings that products and services represent. For instance, buying ethically produced goods or patronizing an upscale retailer might yield symbolic value.

We believe that cross-channel retailing, along with the corresponding changes in consumer behaviors, calls for a new logic for delivering the proposed value. This is especially due to the possibilities that online and mobile technologies offer in various stages of the shopping experience. As Peterson et al. (2010) note, shoppers' decision processes related to what to buy and where to buy have gone digital (Peterson et al. 2010). The digital tools may be provided by retailers themselves in the form of Web pages and mobile "apps" or by third parties. In any case, the shift entails more and more decisions on what to buy and where to buy being made outside the brick-and-mortar stores. Besides the prepurchase stage, these digital tools may be used in the actual purchase stage and in the post-purchase stage. Hence the new logic for value must lie in the ability to serve customers with information across channels.

The literature on information as a source of value is rather scattered. Proposing a definition for the information value of virtual communities, Archer-Brown et al. (2013) identified Hirshleifer (1973) as one of their key sources. According to them, the value of information lies in five assumptions: certainty (ability to resolve uncertainty), diffusion (ease of distribution), applicability (how the receiver can apply it), content (the nature of the information), and decision-relevance (how the receiver can use it in decision-making). These basic assumptions also hold in the retail context, where decisions about what to buy and where to do so are made in conditions that are often rendered surprisingly complex by ever-increasing choice. Resmini and Rosati (2011) identify five heuristics for a pervasive information architecture, which also can be used here to characterize information-based value creation: (1) place-making, (2) consistency, (3) resilience, (4) reduction, and (5) correlation. Place-making is about reducing disorientation, making sense of place, increasing legibility, and supporting way-finding across channels. Consistency refers to both internal and external demands. Internally, consistency involves suiting the purposes, contexts, and people, whereas external consistency entails maintaining uniform logic across boundaries of media, environments, and time. For our purposes, this is a key characteristic for making sure the information is both available and applicable across channels and in different stages of the customer experience. Resilience is attained when the system is able to shape and adapt itself in line with specific user needs and seeking strategies. In the context of retailing, resilience might be seen in how the retailer can learn from customers' purchase history and preferences across channels. Although customization to customer-specific preferences can be "automatic," in many cases, digital retail concepts also provide tools allowing customers to make conscious decisions on how to customize the service. Reduction is facilitated through supporting the user in managing large information sets and hence reducing potential frustration and stress of choosing from among vast quantities of services and goods representing different sources of information. Finally, correlation refers to the ability

of the system to suggest relevant connections and thereby help users be aware of their needs or meet their latent needs via the pieces of information, services, and products. For instance, Zappos has experimented with several ways to curate styles and trends across product categories with applications such as Glance by Zappos.

To unleash the value of information across channels as described by Resmini and Rosati (2011), many retailers have turned to mobile technologies for their ability to bridge channel behaviors. Emphasizing the role of mobile technologies and social media, Larivière et al. (2013, pp. 277–278) provide the following definition of value, with what they call value fusion: “Value that can be achieved for the entire network of consumers and firms simultaneously, just by being on the mobile network. Value Fusion results from producers and consumers (i) individually or collectively, (ii) actively and passively, (iii) concurrently, (iv) interactively or in aggregation contributing to a mobile network (v) in real time and (vi) just in time.” Larivière and colleagues add some important elements to our understanding of information value: it is often continuously updated, jointly created, and maintained by retailers, customers, and/or third parties, and it is always accessible. Hence, the term “value fusion” inherently suggests the importance of the unstructured data and the utilization of said data in mobile value creation (Beath et al. 2012).

In the context of vacation travel, Cho and Jang (2008) conceptualize and measure information value along five dimensions: utilitarian, risk-avoidance, hedonic, sensation-seeking, and social. Although our context is different, they provide an important conclusion for conceptualizing information value: instead of trying to isolate it as a new or distinct dimension of value, one may be better off investigating how existing dimensions of value are related to the idea of creating information-based value. In other words, all perceptions are based on sensory information, but information-based value creation can be defined as a systematic way to provide customer information that supports customers’ value-creating processes.

For the purposes of this paper, we offer the following definition for information-based value creation: *Information-based value creation systematically refines and combines contextual data on acceptable prices, customized solutions, preferred experiences, and/or personalized meanings to support customers’ prepurchase, purchase, and/or use processes.* We believe information-based value creation marks a new type of frontier for customer-centric value creation, where the retailer is more than the endpoint of logistics and where the active role of the customer as a coproducer or cocreator of value is acknowledged.

3 Exploring Information-Based Value Creation in Retailing

To gain understanding of how customers behave in the prepurchase, purchase, and post-purchase stages of shopping and to see how they use their mobile devices to bridge channels, we conducted an online survey in summer 2012 in Japan, the USA, and Finland. The survey was completed as part of a two-year research project wherein 200 mini-cases were systematically recorded that illustrated multi- and cross-channel behaviors in retailing. These cases were also used, in addition to

literature on cross-channel developments, in questionnaire development. We further illustrate information-based value creation in the three main stages with selected examples based on some of the mini-cases.

3.1 Survey Data

A professional research agency was used in sampling and data collection. For all three countries, the goal in the sampling was to use national demographics to guarantee representativeness. Then, a screening question was used that excluded individuals who did not have a smartphone. Limiting the data-collection process to those respondents who had a smartphone implies that, in theory, the respondents all had a chance to use a mobile device in the shopping process—an important condition for our research purposes. In simple terms, we started with the ideal of a representative sample but allowed and also preferred the natural “bias” resulting from the fact smartphone ownership might not follow the national demographics.

The online survey yielded 3,160 completed questionnaires, of which 1,027 came from Japan, 1,042 from the USA, and 1,091 from Finland. After careful purification of the dataset based on exclusion of dubious response patterns (e.g., lack of variation between sets of questions), the dataset covered 2,466 respondents. The country-specific distribution for usable data is this: Japan 832 (33.7 %), the USA 776 (31.5 %), and Finland 858 (34.8 %). The basic demographics are depicted in Table 9.1.

3.2 Channel Usage: Offline, Online, and Mobile

We defined the three channels for our respondents thus: “store” refers to a physical shopping environment (department stores, shopping malls, etc.), “online” refers to a Web site that is accessed via a computer (desktop or laptop), and “mobile” refers to the use of software or applications that run on a smartphone or tablet computer. Table 9.2 shows the use of offline, online, and mobile channels in the three main stages of the shopping experience: prepurchase, purchase, and post-purchase.

Table 9.1 Survey demographics

	USA	Japan	Finland	Total
<i>Gender</i>				
Male (%)	49.1	53.0	59.8	54.1
Female (%)	50.9	47.0	40.2	45.9
<i>Age band</i>				
15–24 (%)	28.4	17.8	20.4	22.0
25–34 (%)	25.6	32.3	19.3	25.7
35–44 (%)	22.0	18.6	21.7	20.8
45–54 (%)	16.1	15.4	19.2	17.0
55–70 (%)	7.9	15.9	19.3	14.6
<i>N</i>	776	832	858	2,466

Table 9.2 Channel use in the prepurchase, purchase, and post-purchase stages of shopping in Japan, the USA, and Finland

		USA	Japan	Finland
1. I often visit stores for the prepurchase information search (e.g., to find information about retailers, products, and prices)	Avg.	5.9	5.3	5.0
	≥6	54.8 %	44.7 %	42.1 %
2. I often go online for the prepurchase information search (e.g., to find information about retailers, products, and prices)	Avg.	7.9	7.1	8.0
	≥6	85.7 %	77.2 %	87.5 %
3. I often use my mobile device for the prepurchase information-search phase (e.g., to find information about retailers, products, and prices)	Avg.	6.2	5.9	4.7
	≥6	61.9 %	57.6 %	42.1 %
4. I often visit stores to make the purchase (e.g., to pick up, order, or pay for the product)	Avg.	7.7	5.8	7.9
	≥6	85.8 %	53.8 %	85.0 %
5. I often go online to make the purchase (e.g., to order or pay for the product)	Avg.	7.2	6.5	6.4
	≥6	80.2 %	68.6 %	69.8 %
6. I often use my mobile device to make the purchase (e.g., to order or pay for the product)	Avg.	5.0	5.2	2.8
	≥6	45.1 %	44.5 %	12.9 %
7. I often visit stores for the post-purchase information search (e.g., to find instructions for use or address product return issues)	Avg.	5.3	4.3	3.4
	≥6	46.8 %	30.0 %	17.8 %
8. I often go online for the post-purchase information search (e.g., to find instructions for use or address product return issues)	Avg.	7.1	5.8	7.3
	≥6	75.8 %	55.0 %	78.3 %
9. I often use my mobile device for the post-purchase information search (e.g., to find instructions for use or address product return issues)	Avg.	5.6	5.0	3.9
	≥6	54.4 %	42.9 %	31.0 %

Note: The respondents answered on a 1–10 Likert scale where 1 indicates completely disagreeing and 10 indicates fully agreeing with the statement. For each statement, the upper row shows the means and the lower row the percentage of respondents who agreed with the statement

Several conclusions can be drawn from the data in Table 9.2. Firstly, the data show a tendency toward multichannel shopping among smartphone users. Although the offline channel has a strong role in the purchase stage, the online one was preferred in the pre- and post-purchase stages, a tendency that is likely only to increase with time. Moreover, the role of the mobile channel seems to follow the developments in online usage patterns, although it is still in the development phase. It is also evident that country-specific differences exist. The shoppers in the USA seemed to show versatile usage of all three channels, spanning the prepurchase, purchase, and post-purchase stages of shopping. In comparison by country, the US consumers seemed to use the mobile channel the most. Finland, in contrast, showed the least multichannel behavior. Although Finland was at the forefront in mobile penetration rates, commercial applications for shopping are scarce. This might explain Finland’s low percentages for the mobile channel in this study. Finally, Japanese consumers seemed to prefer the online channel, perhaps even to the detriment of the offline channel. The Japanese are also well on the mobile bandwagon, showing strong usage rates in all stages of the shopping experience.

3.3 Use of the Mobile Channel to Enhance Information-Based Value Creation

The mobile channel has a key role in enhancing information-based value creation across channels. To gain better understanding of how the mobile channel can be used during the shopping experience, we identified 18 behaviors and investigated how our respondents viewed them. The results are presented in Table 9.3, where the percentage figures represent respondents' "Yes" answers to the question "Mobile devices or applications can be used in a variety of ways for shopping-related purposes (see the list below). Which of these have you used?" As we saw already in Table 9.2, the differences among the three countries are clear. This holds true for Table 9.3 also: the US consumers had the most experience in using mobile devices for shopping purposes (average: 9.1), followed by the Japanese consumers (average: 7.9). On average, Finnish respondents used 4.6 of the 18 mobile functions.

Table 9.3 The use of mobile devices for shopping-related purposes in the USA, Japan, and Finland

	USA (%)	Japan (%)	Finland (%)
1. Locating a store	88.8	87.5	75.9
2. Using a search engine (e.g., Google) on a mobile device for price and/or product information	83.1	75.5	80.1
3. Checking the availability of a product	67.5	70.1	44.8
4. Creating shopping lists	58.6	28.1	30.8
5. Using a retailer's application for price and/or product information	58.6	47.4	26.7
6. Scanning advertisements (e.g., QR codes or barcodes) for price and/or product information	55.5	55.3	18.5
7. Searching for usage instructions	51.7	59.7	43.6
8. Scanning products (e.g., QR codes or barcodes) while in-store for price and/or product comparisons	50.9	29.0	6.9
9. Redeeming mobile coupons	50.4	66.7	21.3
10. Sharing your shopping experience through social media	45.0	23.0	19.1
11. Giving feedback or making claims/complaints	44.5	36.2	30.1
12. Scanning QR codes or barcodes of the purchased products at home for additional information	44.5	28.8	8.7
13. Making mobile payments via "electronic money" or by credit card	43.4	41.9	19.8
14. Using retailer applications for recreational purposes	38.3	32.1	13.2
15. Collecting customer loyalty points via a mobile application	34.9	38.5	4.8
16. Locating products in the store	33.4	31.5	4.1
17. Logging in with a retailer's application when arriving at a store	33.1	25.8	6.3
18. Saving mobile receipts	30.8	17.8	6.9

Note: The percentage points describe "Yes" responses to the item "Mobile devices or applications can be used in a variety of ways for shopping-related purposes (see the list below). Which of these have you used? Please use "Yes" and "No" to answer"

General functions such as locating a store and using a mobile version of a search engine for price and/or product information were widely used by the respondents in all three countries. While Table 9.3 shows these behaviors from, in general, the most common to the rarest as indicated in our results (sorted by the USA), we will now go further, next providing a thematic classification based on what kind of role these mobile applications and functions have in creation of information-based value in the individual stages of the customer experience.

3.3.1 The Prepurchase Stage

Comparison tools are designed to create economic and functional value for customers by offering tools for sense-making amidst the ever-increasing amounts of price and product information. *Using a search engine (e.g., Google) on a mobile device for price and/or product information* is very common among smartphone users. It is also an example of a third-party influence on the shopping decision-making process.

Using a retailer's application for price and/or product information is about, as the name implies, retailer-specific app use. Imagination is the limit with these applications. For example, an Ikea application serves shoppers with concrete information about dimensions and weights, providing crucial information for evaluating the fit in the house and, for many Ikea customers, in the trailer they will use to carry products home.

Inspiration tools are about meeting information needs related to emotional and symbolic value creation. *Using retailer applications for recreational purposes* is characterized by the ability to serve users with content that is a source of inspiration and also entertainment. Besides Ikea, examples include many fashion retailers, such as Urban Art Guide by Adidas or Amble by Louis Vuitton, which provide interactive content (art and a travel diary, respectively) and allow the user to follow passively or contribute by creating content. Some retailers, among them Lego, have launched mobile games for their customers (Lego App4+ and Lego Creationary). Lego also connects the playful experience to learning and symbolic meanings fostered in the Lego community.

Scanning advertisements (e.g., QR codes or barcodes) for price and/or product information represents the increased interactivity seen in advertising. The camera function of most mobile devices enables applications that can scan various kinds of codes. After scanning a code, the shopper is typically directed to a mobile-device-optimized Web page where additional information is provided. Recently, third-party players such as Blippar have introduced techniques wherein even the codes are not necessary—the interactive content for advertisements is based on picture recognition.

Planning tools serve information that facilitates functional value creation. *Locating a store* is the first step in use of the mobile channel for aiding shoppers with information. Many mobile-environment-optimized Web pages and also purpose-specific

applications enable customers to check the location of the nearest store. Some applications also guide the shopper to the store with the aid of GPS data. Examples are abundant and include many retailers and shopping center operators (e.g., Simon Malls), along with third-party service providers and platforms such as Google Maps.

Checking the availability of a product gives the shopper real-time information or an estimate of the availability of a specific product (in a specific store). Also, estimates of delivery times can be provided. Online stores pioneered this function, and many brick-and-mortar retailers have followed.

Creating shopping lists is afforded by tools that simplify choosing and ordering of products. Especially in the context of grocery shopping, the customer's shopping history and loyalty-card data can be utilized for creation of shopping lists that can learn from shopper preferences. Typically, shopping lists can also be shared among, for instance, the members of a family. A Finnish company called Digital Foodie has developed a technology (and application, Foodie.fm) that integrates recipes, store-specific product selections, and a shopping-list function. Furthermore, shopping-list applications have been expanded into tools for customized solutions. For instance, Ikea has developed design tools that assist with such activities as planning a kitchen on the basis of the home's space requirements. In the cross-channel spirit, these plans can also be uploaded to the Ikea cloud, to be opened later in-store by Ikea personnel for further face-to-face consultation.

3.3.2 The Purchase Stage

In-store shopping tools have potential for value creation in both utilitarian and hedonic realms of customer information use. *“Logging in” with a retailer’s application when arriving at a store* is a clear example of cross-channel behavior. Customers who enter a brick-and-mortar store sign in with their mobile device by opening the application. Shopkick is one of the pioneers in this field, with an aim of increasing foot traffic in offline stores by rewarding customers who walk in and log in with the app. Besides monetary benefits, the idea of “logging in” is often to serve customers with information about promotions, new products, and perhaps even recreation while one is shopping.

Locating products in the store can use navigation tools for shoppers' in-store use. There are many ways to provide customers with indoor navigation. Most commonly, GPS data or a closed wireless store network is used for determining the customer's location. Some retailers have also experimented with “personal shopper” technologies, as in the case of Emart's Smart Cart service, co-developed with SK Telecom. Smart Cart consists of a mobile application and a physical shopping cart with a Wi-Fi connection and a screen. Shoppers synch their mobile devices (e.g., shopping lists) with the cart and receive navigation help and promotional information.

Scanning products (e.g., QR codes or barcodes) while in-store for price and/or product comparisons is about giving customers tools for comparison and deepening the product information while they are in the store. Best Buy, for instance, has used QR codes in this manner for such products as home theater systems. Many third-party companies, such as RedLaser, have launched their own applications, allowing customers to check whether, for example, the same product retails at a lower price at a nearby store or online. Perhaps a more creative type of solution is represented by Hointer's application: the customer scans a pair of jeans and selects the size desired. In 30 s, the pair of jeans is ready for trying on in a fitting room.

Transaction tools focus on management of shopping-related tasks and information that contribute to functional value. *Making mobile payments* via "electronic money" or by credit card can be facilitated through customer loyalty points or via a third-party transaction. In the first case, the retailer can provide the service, while in the latter case financial institutions and services such as PayPal or the Japanese Suica are used as a platform. QThru is a mobile application that can be used for scanning one's purchases with a mobile device and then making the payment at a self-service kiosk.

Redeeming mobile coupons gives shoppers benefits such as discounts or even free products. A mobile coupon can be redeemed upon showing of a digital coupon that the shopper received by e-mail or downloaded. Coupons can be granted by third-party entities such as coupons.com or the providing companies themselves.

Saving mobile receipts is a natural counterpart to its paper equivalent although not limited to this role. Mobile receipt makes sense especially with products that come with warranties. Besides many retailers, such as Nordstrom, who offer mobile receipts by e-mail, there are third-party services such as Expensify for saving and managing mobile receipts.

Collecting customer loyalty points via a mobile application moves loyalty programs from cards to mobile devices. Tesco has been a pioneer in loyalty programs, and they make no exception when it comes to mobile apps. Tesco's example integrates loyalty data into several shopping tools, such as intelligent shopping lists.

3.3.3 The Post-purchase Stage

Use-value tools are based on information utilized to support customers in—as the name implies—better using their purchased products. The focus, then, is on functional value. *Searching for usage instructions* takes place typically in the post-purchase stage. Online forums and communities have provided resources based on C2C interactions, but recently many retailers too have recognized the value of support for customers after they have left the store. The instructions may be provided by e-mail or via mobile apps or Web pages. Walgreens, for instance, provides a pill reminder for its pharmacy customers, and food brands such as Kraft supply extensive information, including recipes, nutrition details, and video instructions for cooking (Kraft iFood Assistant).

Scanning QR codes or barcodes of the purchased products at home for additional information follows the same idea as in-store scanning of QR codes. In this case, the emphasis is on use-related information.

Communication tools have both a functional and an emotional-symbolic role in information-based value creation. *Sharing your shopping experience through social media* proceeds from shoppers' desire for self-expression. By using social-media interfaces such as Pinterest, Facebook, YouTube, and WhatsApp, shoppers may just post a comment, photo, or video portraying their new possessions. And retailers are facilitating these behaviors. For instance, the Japanese fashion retailer Uniqlo launched Uniqlooks for customers who want to take a photo of themselves wearing Uniqlo clothing and uploaded it so that the community can rate it and celebrate the best styles.

Giving feedback or making claims/complaints is a common feature in many retail apps. This may take place obviously through a traditional telephone service or by e-mail, but chat functions such as Ikea's iconic "Anna" are common too.

4 Discussion and Conclusions

In the age of information, the creation of value for shoppers is in the "choice engines" that support rationalization and inspiration both. With this article, we have striven to illustrate how the need for these engines manifests itself in present shopper behaviors and what kinds of challenges and opportunities they present for the service systems of the future. In doing so, we have emphasized a holistic perspective on customer experience in general and on the shopping experience in particular. As Norman (2009, 52) notes, "In reality, a product is all about the experience. It is about discovery, purchase, anticipation, opening the package, the very first usage. It is also about continued usage, learning, the need for assistance, updating, maintenance, supplies, and eventual renewal in the form of disposal or exchange." It is only through attention to three main temporal perspectives—prepurchase, purchase, and post-purchase—that the need for information and its value and potential can be revealed.

Table 9.4 provides a framework for information-based value creation, summarizing our conclusions. The framework addresses the prepurchase, purchase, and post-purchase stages in terms of three distinct elements:

- The channel-bridging tools for information-based value creation
- Implications for customer value propositions
- Challenges and opportunities for service system development

In the prepurchase stage, customers' information needs can be served with comparison tools, inspiration tools, and planning tools. These tools point to implications for economic, functional, emotional, and symbolic dimensions of customer value propositions alike. From the perspective of service system development, the key questions revolve around opening up organizational product and price data for customers and providing/enhancing interfaces between C2C and third-party platform actors.

Table 9.4 The framework for information-based value creation

<p>Channel-bridging tools for information-based value creation</p>	<p>Prepurchase</p> <p>Comparison tools</p> <ul style="list-style-type: none"> Using a search engine (e.g., Google) on a mobile device for price/product information Using a retailer's application for price and/or product information <p>Inspiration tools</p> <ul style="list-style-type: none"> Using a retailer's application for recreational purposes Scanning advertisements (e.g., QR codes or barcodes) for price and/or product information <p>Planning tools</p> <ul style="list-style-type: none"> Locating a store Checking the availability of the product Creating shopping lists 	<p>Purchase</p> <p>In-store shopping tools</p> <ul style="list-style-type: none"> "Logging in" for special deals and recreation Locating products and navigating the store Scanning products for additional information and comparisons <p>Transaction tools</p> <ul style="list-style-type: none"> Making mobile payments Redeeming mobile coupons Saving mobile receipts Collecting customer loyalty points via a mobile application 	<p>Post-purchase</p> <p>Use-value tools</p> <ul style="list-style-type: none"> Utilizing mobile usage instructions Finding additional product information through code-scanning <p>Communication tools</p> <ul style="list-style-type: none"> Sharing the shopping experience Submitting feedback/complaints
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(continued)

Table 9.4 (continued)

	Prepurchase	Purchase	Post-purchase
Implications for customer value propositions	<p>Economic value: Demonstrating the best monetary value (absolute price or total cost) and gaining price transparency</p> <p>Functional value: Finding superior solutions for matching products and learning from customer preferences through search and comparison patterns</p> <p>Emotional value: Finding tools and interactive content for inspiration and entertainment</p> <p>Symbolic value: Benefiting from interactive content for fostering of the brand relationship</p>	<p>Economic value: Real-time and location-specific discounts and special offers, along with dynamic pricing</p> <p>Functional value: Navigation tools, additional product and price information, shopping lists, and adaptive solutions for payment and ordering</p> <p>Emotional value: Enriching the shopping experience with digital information for entertainment and stimulation</p> <p>Symbolic value: Increasing the visibility of shopping trip and related purchase decisions through social media</p>	<p>Economic value: Supporting the user experience and providing a convenient after-sales experience</p> <p>Emotional value: Extending the shopping experience and creating peace of mind</p> <p>Symbolic value: Facilitating customers' self-expression</p>
Challenges and opportunities for service system development	<ul style="list-style-type: none"> Utilizing the data in company information systems for serving customers with products, availability, and price information Enriching retailer-specific product information with C2C information (e.g., via social media) Increasing or restricting information from third-party platforms 	<ul style="list-style-type: none"> In-store technologies that utilize the data in company information systems for serving customers and personnel with product-, availability-, and price information Cloud-based (or wireless) technologies that can identify customers and utilize their prior purchase patterns Arming personnel with shoppers' digital prepurchase-phase data 	<ul style="list-style-type: none"> Utilizing the data in company information systems for serving customers with a wide range of product information, such as use instructions and technical details Facilitating C2C interactions for peer support and fostering virtual customer communities Integrating the help desk for multiple channels

The purchase stage employs two kinds of tools: in-store shopping tools and transaction tools. These tools may also be used in development of more resonating and coherent customer value propositions for all four dimensions. Challenges and opportunities for service system development arise especially in relation to interfaces between in-store technologies, responsive app use in-store, and tools for service personnel.

Finally, the post-purchase stage features use-value tools and communication tools. These can be utilized for enhancing functional, emotional, and symbolic customer value propositions. The challenges for service system development in the post-purchase stage are related to product-specific information that supports the assembly and use of the products purchased. Other considerations include C2C interactions and new ways to provide help-desk services.

For retailers, our exploratory results and conceptual findings suggest that:

- Many customers are already utilizing multiple channels for comparing products and service providers—hence, retailers that actively provide tools for supporting customers' choice processes and meeting other information needs are better equipped in the otherwise commoditized marketplace, where loyalty is easily supplanted by the lowest price.
- Customer experience management facilitated by relevant information tools is becoming the new CRM. The value is not in the exponential growth of information but in helping customers to make sense of it and enriching their life. Since customers truly derive benefits from informational tools, they are more willing to share their purchase histories and contextual preferences with retailers. In the near future, this may make some of the current loyalty-card systems obsolete.
- Information value creation should support the chosen strategic customer value propositions, whether they are focused around price (economic value), solutions (functional value), customer experience (emotional value), meanings (symbolic value), or some combination of these.
- The developments in tools and models of sharing information raise issues of data privacy and trust once again as a potential concern for consumers.
- While the mobile channel is the key to bridging the offline and online worlds, employees currently lack tools to serve the emerging cross-channel customers.
- All the aforementioned issues present challenges along with their possibilities for the design, integration, and management of various service systems.

We believe information-based value creation is a theme that warrants further research. Our research being exploratory and conceptual in nature, future endeavors might benefit from development of metrics for information value in the pre-purchase, purchase, and post-purchase stages of the shopping experience. It would then be possible to relate these measurements to the study of service systems, thereby contributing to the evaluation and development of future service systems. Moreover, the theme and logic of informational value can be expanded to other areas of life than shopping. What are the informational needs of other types of service business? How could we as citizens fare better as we navigate the complex systems of, for example, health care, taxation, and education?

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Browsing the recent journal articles and bestsellers reveals that much of customer value results from well-designed customer experiences (see, for example, Berry *et al.*, 2002; Carbone, 2004; Meyer and Schwager, 2007; Morgan and Rao, 2003; Schmitt, 2003). Carbone and Haeckel (1994, p. 9) define customer experience as “the ‘takeaway’ impression formed by people’s encounters with products, services, and businesses – a perception produced when humans consolidate sensory information”. Customer experience – pleasant or unpleasant – inevitably takes place every time customers interact with companies and their offerings. This means that the best companies are able to orchestrate customer experiences that provide customer value complementing their core offering.

It is always the customer who defines what is valuable and what is not. Because customers define value, firms can only make value propositions intended to support customers in their value-creating consumption activities (Vargo and Lusch, 2004). For retailers, decisions on what to sell and at what price have lost much of their strategic resonance, because the same or similar products and services can be obtained from competitors at prices that leave little or no room for adjustments. Hence, the decision of how to sell – what kind of customer experience is offered – becomes a relevant strategic question from the competitive advantage point of view.

The purpose of this paper is to develop a framework for identifying competitive customer value propositions. This is done by understanding the key dimensions of customer value, developing a hierarchical model of value propositions, and establishing a link between customer value and competitive advantage.

Customer value propositions

There is no single widely approved definition for a customer value proposition (Anderson *et al.*, 2006). However, many authors agree on two issues: a customer value proposition should be defined from the customer perspective, and it has a key strategic role within the organization in pursuit of competitive advantage (e.g. Anderson *et al.*, 2006; Webster, 1994a). Customer value and competitive advantage are two interrelated but independent streams of literature that can be used in identifying successful customer value propositions. For example, Webster (1994a, p. 25) defines a value proposition as:

... the verbal statement that matches up the firm’s distinctive competencies with the needs and preferences of a carefully defined set of potential customers. It’s a communication device that links the people in an organization with its customers, concentrating employee efforts and customer expectations on things that the company does best in a system for delivering superior value. The value proposition creates a shared understanding needed to form a long-term relationship that meets the goals of both the company and its customers.

Definitions of customer value vary from simply identifying product attributes to understanding the consequences of consumption experiences: for one customer, “value is low price” and for another “what I get vs what I give” (Zeithaml, 1988). Attribute-based definitions are the first step. From the value proposition perspective, definitions based on the consequences of the attributes are more efficient, because they reveal how customers make use of the offering in real life (the value-in-use perspective) (Woodruff, 1997).

The positive consequences are the benefits that the customer derives from the offering. Conversely, negative consequences are the sacrifices (monetary and

non-monetary costs) to the customer of obtaining the benefits. When customers perceive greater benefits than sacrifices, customer value is created. It follows that a generic definition of customer value is that of a tradeoff between benefits and sacrifices (Gale, 1994; Zeithaml, 1988).

The perception of customer value is interactive, between customer and offering, as well as relativistic between people and situations, preferential, and based on a holistic experience (Holbrook, 1999). Recently, others (e.g. Prahalad and Ramaswamy, 2004; Vargo and Lusch, 2004) have emphasized the interactive, relativistic, and experiential nature of customer value under the topic of value co-creation. From the value proposition perspective, Ballantyne and Varey (2006) note that “value propositions are reciprocal promises of value, operating to and from suppliers and customers seeking an equitable exchange”. It follows that a good value proposition is specific enough to recognize the unique nature of subjective and interactive consumption experiences but general enough to attract adequate customer segments with homogenous value needs. For Webster (1994b, pp. 107-108), value proposition equates to a positioning statement because it defines “who is the target customer?” as well as “why should the customer buy it?” and “what are we selling?” but is not limited to communication purposes only.

Anderson *et al.* (2006) define three kinds of customer value propositions: all benefits, favorable points of difference, and resonating focus. “All benefits” value propositions are based simply on listing the positive features and outcomes of buying and using the product or service. The other two (of which resonating focus is considered the more advanced) are more sophisticated and are based on points of parity with and points of difference from the competitive offerings. In order to deliver the value that is taken for granted by the market, the company needs to have points of parity in its value proposition. “Points of parity are elements with essentially the same performance or functionality as those of the next best alternative,” according to Anderson *et al.* (2006, p. 94). In order to differentiate itself from its competition, the company needs to have points of difference in its value proposition. Anderson *et al.* (2006, p. 94) explain, “Points of difference are elements that make the supplier’s offering either superior or inferior to the next best alternative”. Points of parity and points of difference refer to different customer value dimensions that aim at competitive advantage.

Competitive advantage and customer value are linked through value delivery (or value creation), which should be reflected in the value proposition:

To achieve superior performance, a business must develop and sustain competitive advantage. But where competitive advantage was once based on structural characteristics such as market power, economies of scale, or a broad product line, the emphasis today has shifted to capabilities that enable a business to consistently deliver superior value to its customers. This, after all, is the meaning of competitive advantage. (Slater and Narver, 1994, p. 22)

For example, Porter’s (1985) cost leadership and product differentiation are generic strategies that address “positions of advantage”, whereas the resource-based view of competitive advantage focuses on the assets and skills that are the “sources of advantage” (Walley and Thwaites, 1996). Numerous typologies and categories of resources have been proposed, and the term “resource” often has been replaced with “capability” or “competence”, indicating the emphasis on knowledge and skills (e.g. Prahalad and Hamel, 1990). For our purposes, it is sufficient to conclude that usually a distinction is drawn between tangible resources (assets, operand resources) and

intangible resources (knowledge and skills, operant resources) (Vargo and Lusch, 2004). Also, customers are seen as a relational, market-based asset (e.g. in the notion of customer relationship), and their management as an intellectual capability that contributes significantly to competitive advantage: “a firm can be said to have a customer-based advantage when (some segment of) customers prefer and choose its offering over that of one or more rivals” (Srivastava *et al.*, 2001, p. 783).

Whereas customer value is always defined by customers’ subjective perceptions and evaluations of the total customer experience, competitive advantage is defined by the company’s use of resources and capabilities to create customer value. Customer value proposition hence is an encapsulation of a strategic management decision on what the company believes its customers value the most and what it is able to deliver in a way that gives it competitive advantage. To summarize the above discussion, we conclude that a customer value proposition should:

- increase the benefits and/or decrease the sacrifices that the customer perceives as relevant;
- build on competencies and resources that the company is able to utilize more effectively than its competitors;
- be recognizably different (unique) from competition; and
- result in competitive advantage.

A framework for identifying customer value propositions

We propose a framework for identifying customer value propositions:

- (1) identify the key dimensions of customer value;
- (2) develop the value proposition; and
- (3) evaluate the value proposition for its ability to create competitive advantage.

This process is presented in Figure 1, “A framework for identifying customer value propositions.” To illustrate the resulting customer value propositions, we have included examples of selected retailers in Figure 2.

In the framework, the value dimensions are hierarchically organized and combined to form a customer value matrix. The value dimensions range hierarchically from more objective to more subjective, from more concrete to more abstract, from more utilitarian to more hedonic/psychic, and from more transaction-based to more interaction-based (compare Babin *et al.*, 1994; Holbrook and Hirschman, 1982; Holbrook, 1999; Khalifa, 2004; Smith and Colgate, 2007).

Customer value propositions that reflect utilitarian value are created mainly by cutting down on sacrifices: reducing prices, saving customers’ time and effort, and helping customers to make the right decisions. We call these dimensions “economic value” (see, for example, Gale, 1994) and “functional value” (see, for example, Sheth *et al.*, 1991; Sweeney and Soutar, 2001). Propositions that reflect more subjective and abstract realms of customer value provide customers with atmospheres that stimulate their senses, and with stores and brands they can use to express their personality. These dimensions are called “emotional value” (see, for example, Sheth *et al.*, 1991; Sweeney and Soutar, 2001) and “symbolic value” (see, for example, Flint, 2006; Smith and Colgate, 2007).

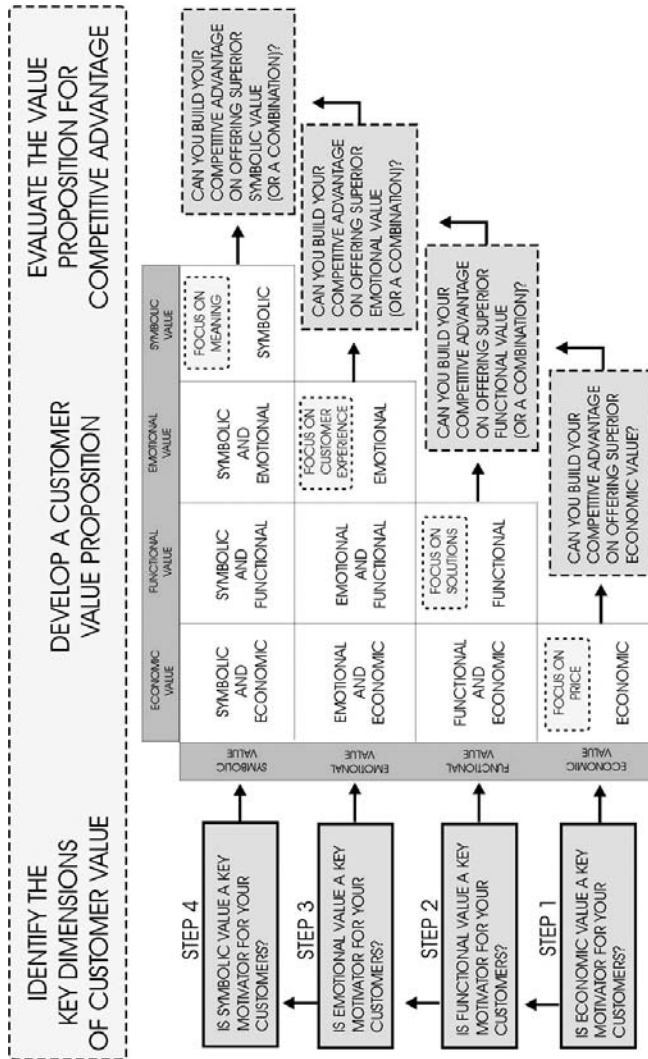


Figure 1. A framework for identifying customer value propositions

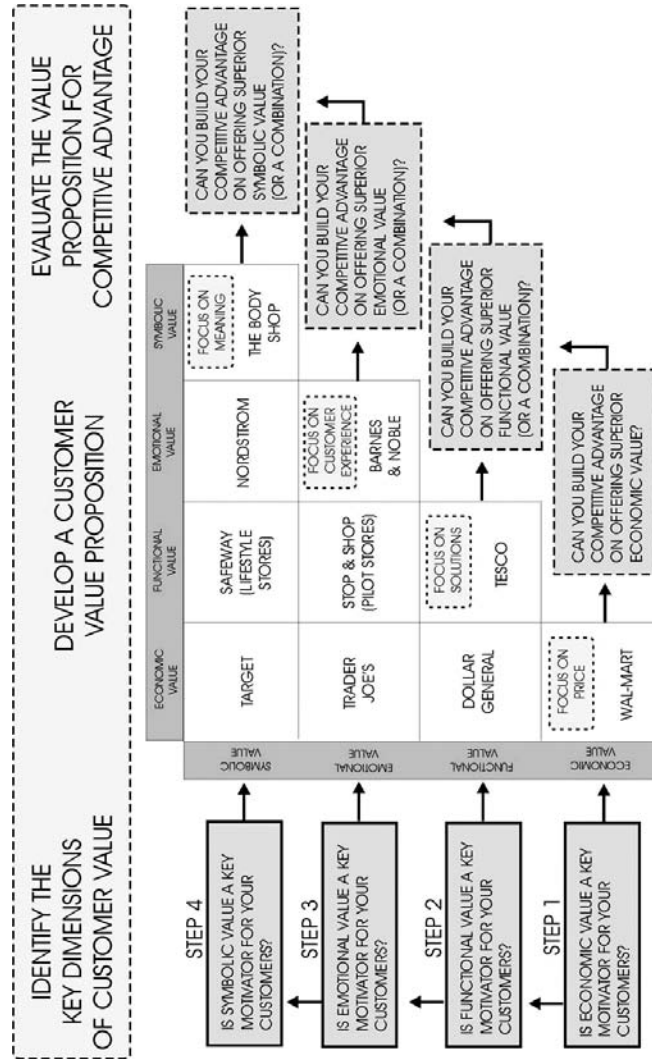


Figure 2.
A framework for identifying customer value propositions, with illustrative examples from retailing

As the value progresses in Figure 1, the consumer's role as a value co-creator increases. This is important from the business perspective, because utilitarian value propositions tend to be more directly related to the core offering, whereas more abstract and personal value propositions increase the value of the core offering by differentiating and complementing it.

Economic customer value propositions

Price remains one of the most important and "hard-to-beat" drivers of customer value. Smith and Nagle (2005, p. 41) define economic value as a "product's objective monetary worth to a customer adjusted for the availability of competitive substitute products". Alternatively, economic value can be defined as the lowest price or the best tradeoff between quality and price (Gale, 1994; Zeithaml, 1988). There are customers who buy on the basis of price only and are not able or willing to make the monetary sacrifice required for higher quality. They might devote a great deal of time and effort to finding the best bargain. Customers who assess the economic value in relation to the quality of the offering might upgrade to a more expensive product if they perceive the increase in quality to be greater than the increase in price.

An economic value proposition usually requires resources and competencies based on economies of scale. Wal-Mart is a commonly cited example of a company whose competitive advantage is based on, e.g. purchasing volume, an efficient distribution system, and the use of information technology to streamline the supply chain (Tong and Tong, 2006). Utilizing these resources, Wal-Mart is able to promise its customers "Always low prices", indicating a clear economic value proposition through EDLP (everyday low price).

Functional customer value propositions

Customers who are motivated primarily by convenient solutions search for functional value. Sheth *et al.* (1991, p. 160) define functional value as the "perceived utility derived from an alternative's capacity for functional, utilitarian, or physical performance." For a retail shopper, functional value can be defined as finding the right products with as little time and as little physical and cognitive effort as possible. The value is perceived when these utilitarian-level sacrifices are minimized (Babin *et al.*, 1994).

Creating functional value is often associated with products that meet the target customers' needs, and processes that increase convenience at different stages of the shopping experience (see, for example, Seiders *et al.*, 2000). Tesco is a British retailer that has gained competitive advantage by creating superior functional value for its customers. This goal of providing functional value is based on, e.g. purchasing the right merchandize, training the personnel, and designing convenient shopping experiences. Tesco's customer-focused commitment to provide functional value is summarized in the company's value proposition "Every little helps," which is successfully communicated to customers as well as the employees. For customers:

Every Little Helps is summarized by five promises: the aisles are clear; I can get what I want; the prices are good; I don't queue; and the staff are great (Seth and Randall, 2005, p. 66).

As shown in Figure 2, economic and functional value propositions can be combined to offer customers convenience with a fair price tag. For example, Dollar General's slogan "Save Time. Save Money" illustrates an attempt to create value by minimizing customer sacrifice. With more than 8,000 stores and effective logistics, the chain can

benefit from economies of scale and offer customers low prices plus the convenience of a neighborhood store (Boyle, 2005). Compared to, for example, that of Wal-Mart, Dollar General's value proposition and competitive advantage is based on being situated near the customer but still being able to provide low-cost solutions for most weekly shopping needs.

Emotional customer value propositions

Customers who are motivated by the experiential aspects of shopping appreciate retailers who create emotional value. Emotional value can be defined as the "perceived utility derived from an alternative's capacity to arouse feelings or affective states" (Sheth *et al.*, 1991, p. 161). Arnold and Reynolds (2003) conceptualize different dimensions of the experiential needs and wants of retail shoppers, or "hedonic shopping motivations." These include enjoying shopping with friends and family, bargain-hunting, and seeking adventure or relaxation. Besides being an instrumental occasion for getting the needed products, the shopping experience becomes an end valued for its own sake (Babin *et al.*, 1994; Holbrook and Hirschman, 1982). This emphasizes the role of store environment and personal service (Turley and Milliman, 2000).

The use of visual, auditory, olfactory, sensory, and even gustatory clues may be an effective way to create emotional customer value. As Carbone (2004, p. 165) states, the "discipline of designing experiences blends creativity with strategic rigor, enabling experiences to connect on a customer-defined value in a manageable and sustainable system. Clues are the heart of the system that manages experience, and creating and integrating clues are at the heart of designing experiences." He cites Disney as an example of a company that is able to orchestrate the "humanic clues" (clues provided by people) and "mechanic clues" (clues provided by the environment) to create a customer experience that creates value in its own right.

In retailing, there are many recent examples of using atmospherics and themes (e.g. flagship stores like NikeTown), as well as additional services (e.g. Wi-Fi, in-store cafés, etc.), to encourage customers to spend time and enjoy shopping. Barnes & Noble, a *Fortune* 500 company and the world's largest bookseller, provides a classic example of a company that differentiated itself with an emotional value proposition. It was among the first book retailers to pay attention to providing a comfortable ambiance. By introducing in-store cafés, the company encouraged shoppers to relax and spend their leisure time browsing the books.

Emotional value propositions can be combined with economic and functional value. Trader Joe's is an example of a grocery store that combines economic and emotional value in its value proposition. It is a place where many customers go with rational and emotional motives: to save money, to seek novelty, and to enjoy the thrill of bargain-hunting. The economic value is based on direct buying and extensive use of own brands. The emotional value results from exotic products; friendly service provided by the staff in their Hawaiian shirts; and a laid-back in-store experience featuring, e.g. a nautical theme. Byrne (2004) describes the emotional value derived from shopping at Trader Joe's:

The quality and variety of the food certainly draw me to my nearby Trader Joe's. But what really matters is the experience: the friendly and helpful staff, the smart product selection, the sense of discovery you get from finding something new on the shelf, the tasty samples that

inevitably make you buy the stuffed salmon or the creme brulée. In short, Trader Joe's makes shopping fun.

A shopping experience that creates functional and emotional value aims to be efficient and pleasurable at the same time. For example, the Ahold-owned Stop & Shop Supermarket Company has experimented with portable product-scanning systems to help customers find the products and offers easily, update and differentiate the shopping experience, and potentially make it more pleasant as well (Duff, 2006). In addition to this approach with the "personal food shopper" called the Shopping Buddy, Stop & Shop has collaborated with Starbucks and opened in-store cafés in its stores.

Symbolic customer value propositions

Customers who are motivated by self-expressive aspects of consumption appreciate retailers who create symbolic value. The symbolic value of a product or customer experience can be defined as positive consumption meanings that are attached to self and/or communicated to others (see, for example, Belk, 1988; Smith and Colgate, 2007; Solomon, 1983). According to Flint (2006, p. 352), "symbols are special kinds of social objects that stand for something; they have meaning and when used are intended to convey a shared meaning to a receiver, who incidentally can be oneself (i.e. self communication)." Symbolic value is created from representing something other than the obvious function of the product. As Sheth *et al.* (1991) note, "even products generally thought to be functional or utilitarian are frequently selected on the basis of their social value." A similar logic may apply to patronizing a retailer (Sirgy *et al.*, 2000). The sacrifices related to symbolic value include a risk of choosing a brand or patronizing a retailer that would result in negative consumption meanings.

As a value proposition, symbolic value emphasizes self-expression through socially interpreted codes embedded in consumption. For example, The Body Shop value proposition "Made with passion" is based on five company values: "against animal testing, support community trade, activate self esteem, defend human rights, protect our planet" (Body Shop, 2007). These symbolic meanings are important and self-expressive for The Body Shop customers.

Symbolic value may be combined with all other value propositions. The fourth largest (in terms of revenue) US retailer, Target, has differentiated itself successfully from the competition via profiling as "an upscale discounter" (Berman and Evans, 2007). Target creates economic and symbolic value by providing branded products in a distinctively designed store environment at attractive prices. Upscale positioning and affordable prices are communicated in the company slogan "Expect more. Pay less."

Safeway's "Lifestyle" stores illustrate a combination of functional and symbolic value propositions. These stores focus on "selling complete meal solutions to shoppers" (Wilson, 2005). In addition to this functional proposition, the in-store experience and the product presentation contribute to the symbolic value of the shopping experience. Signage and graphics, as well as cross-merchandising and lifestyle merchandise presentations with fixtures, are used in creating a branded shopping experience that appeals to the targeted customer segment.

Finally, Nordstrom emphasizes emotional and symbolic dimensions in its value proposition. Nordstrom relies on the upscale store atmosphere, branded products, and exclusive service in making shopping more pleasurable and meaningful. A recent marketing campaign (although it was also criticized) addressed the symbolic value proposition in particular with the slogan "Reinvent yourself" (Baar, 2000).

Conclusions

A competitive customer value proposition is more than a brand slogan; it is a strategic concept that ties the customer and company perspectives together for value creation and competitive advantage. Customer value propositions should represent the complete customer experience (Selden and MacMillan, 2006), and reduce customer perceived risk by guaranteeing the service promise (Kandampully and Butler, 2001). We believe the orientation based on customer value propositions that is presented in this paper tackles important issues related to service management and marketing and contributes to their resolution by concentrating focus on customer-defined needs and desires and hence orchestrating the company around delivering on its promises. On the basis of our framework, we conclude that:

- identifying customer value propositions begins with understanding the key dimensions of customer value that motivate the targeted customers;
- development of customer value propositions benefits from hierarchical evaluation and combining of economic, functional, emotional, and symbolic customer value dimensions; and
- evaluation of the competitiveness of customer value proposition is based on the suitability of the company resources and competencies required for delivering on the proposition to gain competitive advantage.

Although the customers might not consciously perceive value as being hierarchically constructed, from a retailer's perspective it is often easier to identify a competitive value proposition when the utilitarian dimensions of value are considered first. For example, when we use Tesco to illustrate functional value, or Stop & Shop's pilot store experiments with technology and in-store cafés to illustrate a combination of emotional and functional value, we understand that neither of these companies is untouchable in terms of price competition. In fact, both companies have competitive pricing as well. However, for them, pricing is more likely a point of parity than a point of difference.

From the competitive advantage point of view, an economic value proposition is based on economies of scale, and the role of customers often is seen through isolated transactions. A service-centered logic applies to value propositions based on more fully developed dimensions of customer value: the benefits of specialized competencies or services are exchanged, in a contrast to traditional goods-centered logic, where the exchange is based on the goods themselves (Vargo and Lusch, 2004).

In creation of functional value, much of customer needs can still be anticipated by concentrating on the right products and on effective and innovative shopping process design. But emotional and symbolic value propositions require diverse capabilities and deeper understanding of customers (Khalifa, 2004). Creating utilitarian value is a prerequisite for many retailers, to get customers to visit their store in the first place, but the more abstract dimensions of value might keep them coming back again and again (Berry, 2001; Carbone, 2004).

Managerial implications

The competitiveness and managerial relevance of a customer value proposition is measured in its ability to attract and serve targeted customer segments and guide the organization towards a common goal. We believe that a hierarchical perspective on customer value propositions – like the one presented in Figure 1 – helps managers to:

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- identify, design, crystallize, and implement competitive customer value propositions;
 - align operations, human resources, marketing communications, and the whole business model around creation of real customer value;
 - sense and respond to the changes in consumer behavior through deeper understanding of relativistic customer value needs; and
 - differentiate between a “ticket to play” and a real source of differentiation and competitive advantage: because economic and even functional value propositions tend to change from points of difference into points of parity over time, points of difference nowadays are found more often in the emotional and symbolic dimensions of customer value.

An efficient customer value proposition taps into what customers experience and consider relevant – what creates real value for them. From the retailer’s perspective, this takes place during the customer experience, in direct and indirect contacts and encounters with a company (Meyer and Schwager, 2007). Only rarely are customers able to break down their needs and desires (of which some are unconscious), let alone compare all competing options objectively. They need something that helps them to categorize the offerings into those they like and those they do not. That is why companies should concentrate on one or two points of difference that best create value for the targeted customer segments and differentiate the company from its competition (Anderson *et al.*, 2006).

Future research

This conceptual paper is based on established literature on customer value and competitive advantage. Although much of the research cited here (e.g. Slater and Narver, 1994; Webster, 1994a; and Woodruff, 1997) recognizes the link between the two streams of literature (customer value is a key source of competitive advantage), the framework presented in this paper contributes to the literature by emphasizing the hierarchical nature of customer value dimensions in assessing the competitiveness of CVPs.

Besides extending the retailing context and using empirical data to measure and model the conceptual relationships depicted in the framework, there are other avenues for future research. Recently, emotional and symbolic dimensions of customer value have aroused interest in consumer behavior and marketing management. However, conceptual and empirical research concerning the resources and competencies on which these value dimensions are based is still scarce.

Measuring the gap between expected and received service quality is a well established field of research. Similar logic could be applied in researching the gap between customer and company perceptions of economic, functional, emotional, and symbolic value propositions.

Connecting customers with the company is a topical challenge, especially for many B2C companies. Research comparing the level of commitment or customer loyalty created by companies with different types of value propositions might aid in evaluating the effectiveness of economic, functional, emotional, and symbolic CVPs.

The challenge of differentiating by means of a distinctive and meaningful customer value proposition becomes even more important when companies do business via multiple channels and/or manage their business as a part of larger value networks.

This calls for research into how customer value propositions are affected by this increasing complexity facilitated by multiple channels and service providers.

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